



Tri-Cities Airport Commission

Tri-Cities Regional Airport, TN/VA

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010



Tri-Cities Airport Commission

Blountville, Tennessee

A Joint Venture of

Bristol, TN

Bristol, VA

Johnson City, TN

Kingsport, TN

Sullivan County, TN

Washington County, TN



TRI-CITIES REGIONAL AIRPORT
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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2010

TRI-CITIES AIRPORT COMMISSION

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TRI-CITIES REGIONAL AIRPORT
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Tri-Cities Airport Commission

Tri-Cities Regional Airport, TN/VA

Vision

To be a premier air transportation center
and a catalyst for economic growth

Mission

To support economic growth by providing the best
available facilities and service for passengers,
air cargo, corporate and general aviation



TRI-CITIES AIRPORT COMMISSION

COMMISSIONERS & SENIOR STAFF

As of June 30, 2010

Airport Commissioners

Ken Maness, Chairman
Mayor Jim Rector, Vice-Chairman
Joe L. Wilson, Secretary-Treasurer
Dr. Frank Anderson
James "Moe" Brotherton
Mayor Steve Godsey
Mayor George Jaynes
Dan Mahoney
Mayor Jane Myron
J. Parker Smith
John Abe Teague
Fred S. Testa

Airport Senior Staff

Patrick W. Wilson, Executive Director
William J. Anderson, Director of Finance
David Jones, Director of Operations
Melissa Thomas, Director of Marketing & Air Service Development
Kathy Yakley, Manager of HR & Administrative Services
Mark Canty, Trade Development Specialist



≈≈≈ Letter of Transmittal ≈≈≈

November 19, 2010

To the Members of the Tri-Cities Airport Commission:

This "Comprehensive Annual Financial Report" (CAFR) of the Tri-Cities Airport Commission for the year ended June 30, 2010 is hereby submitted. This report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Blackburn, Childers, & Steagall, PLC.

The Accounting Department of the Tri-Cities Airport Commission has prepared this report and assumes full responsibility for the accuracy of the data, and the completeness & fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the proprietary fund of Tri-Cities Airport Commission.

The CAFR is presented in four sections: (i.) the Introductory Section, which is unaudited, contains the Airport's vision and mission statements, a list of the Tri-Cities Airport Commission's appointed officials and key staff members, and the "Letter of Transmittal"; (ii.) the Financial Section includes the independent auditors' report, the "Management's Discussion and Analysis" of the financial condition of the Commission, the financial statements and notes to the statements and the supplementary information; (iii.) the Statistical Section includes selected unaudited financial and demographic information; and, (iv.) the Compliance section includes the Auditor's report on compliance and Internal Control over financial reporting in accordance with Government Auditing Standards and with the U. S. Office of Management and Budget Circular A-133.

The CAFR was prepared using the guidelines set forth by the Government Finance Officers Association of the United States and Canada (GFOA) to be eligible for application of the Certificate of Achievement Award. The guidelines require management to provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of a "Management Discussion and Analysis" (MD&A). This "Letter of Transmittal" should be read in conjunction with the MD&A that is located in the Financial Section.

REPORTING ENTITY

The Tri-Cities Airport Commission is jointly owned and administered by six cities and counties. The Airport Commission is charged with the responsibility of directing the development, operation, maintenance, control and administration of the Tri-Cities Regional Airport, TN / VA.

The Airport Commission is composed of twelve persons, each with one vote. Each owner of the Airport is entitled to appoint a specified number of Commissioners as follows:

<u>Governmental Entity</u>	<u>Ownership</u>	<u>Representation</u>
Washington County, Tennessee	20 percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

The officers of the Commission consist of a Chairman, Vice-Chairman, and a Secretary-Treasurer. The Commission currently has five standing committees. These committees are advisory in nature but are authorized to make decisions that are binding on the full Commission with prior approval by the Commission. The current committees are: Executive Committee, Administration/Operations Committee, Marketing Committee, Airfield Development Committee, and the Air Cargo and Trade Development Committee.

MANAGEMENT

The Airport Commission hires an executive director to head up the management of the Airport. The executive director oversees a staff of approximately 44 full-time and 21 part-time employees. The staff is responsible for the day-to-day administrative, financial, operational and personnel matters relating to the Tri-Cities Regional Airport TN / VA.

There are eleven departments overseeing the activities at the Tri-Cities Regional Airport. The Executive Director, Patrick Wilson, heads the Administrative Department and oversees the operations, marketing, finance and air cargo & trade development departments.

Mr. David Jones, Director of Operations, oversees the access control, janitorial, maintenance, public safety and engineering services departments. The Operations department also ensures that the Airport complies with FAA standards and regulations. The Operations department is also responsible for preparing state and federal grant applications and coordinates the efforts of engineers, consultants, and others to complete the design and construction of all capital improvement projects at the Airport.

Bill Anderson, Director of Finance, oversees all the accounting functions, including the Airport's budgets, audits, payables, receivables, payroll and all financial reporting. All financial obligations and/or indebtedness are handled in the finance department.

Melissa Thomas, Director of Marketing and Air Service Development, oversees the marketing department handling advertising, public and airline relations and marketing the Airport to passengers and prospective airlines. She also oversees the Airport Services staff, supervised by Karen Weaver, who assists passengers and provides business and postal services in the terminal.

Kathy Yakley, Manager of Human Resources and Administrative Services, is responsible for employee relations and benefits, retirement programs and property administration.

Mark Canty, Air Cargo & Trade Development Specialist, is responsible for promoting air cargo, administration of Foreign Trade Zone No. 204, development and maintenance of programs and initiatives designed to foster international trade, and marketing and promotion of the U.S. Customs station within the Tri-Cities Region.

THE AIRPORT TODAY

Tri-Cities Regional Airport is centrally located between the Tennessee cities of Bristol, Kingsport, Johnson City, and Bristol, Virginia and serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky. The Tri-Cities region is strategically located within a day's drive of more than 70 percent of the nation's population.

The region offers a wide range of market benefits including a 60-mile trade population of approximately 1 million, a large manufacturing sector, exceptional interstate highway network and 27 regional industrial parks with more than 2,500 acres of developable property.

The Airport's property covers approximately 1,280 acres of land, 89 acres in easements, and a 113,532-sf passenger terminal building with ample short-term and long-term parking, passenger services, national rental car brands, restaurant and bar, gift shop, business center and free wireless internet.

A13,000-sf Air Cargo Logistics Center houses US Customs & Border Protection Port #2027 and Foreign-Trade-Zone #204. The site includes a 485 ft. x 360 ft. cargo ramp, 75-ft-wide taxiway system, speculative building space, and a 35-acre development area with direct airfield access.

Port #2027, a federally staffed, full-service customs station, allows for passengers and imported goods to clear Customs in Tri-Cities and avoid congestion and delays common at larger Ports of Entry.

A fixed based operator (FBO) is housed on Airport property to accommodate private and corporate aircraft operations. The FBO serves as the point-of-entry for customers who are not using commercial airline service and provides aircraft storage, fuel and maintenance services.

As the physical link between passengers and the air transportation network, the Airport Commission strives to provide air service to meet passenger demand. Historically, Tri-Cities' passenger base has been business oriented, and that trend is expected to continue. However, with the addition of low fare service to Florida destinations, the percentage of leisure traffic is expected to grow in the future.

TRI offers four airlines serving passengers through six connecting hubs and leisure destinations. Delta Connection provides service to Atlanta and Detroit, US Airways Express serves Charlotte, American Eagle provides direct service to Chicago, and Allegiant offers service to Orlando & St. Petersburg/Clearwater.

ECONOMIC CONDITIONS AND OUTLOOK

Airport

Historically, passengers traveling on business have accounted for approximately 60 percent of the customer base. While that percentage has varied through the years depending on fare levels, TRI's air service and fare structure continue to be geared toward business travel, providing the stability to weather economic downturns. However, with a business market and only three network carriers, TRI is subject to higher fares and potentially vulnerable to airline bankruptcies and mergers.

During the 2010 fiscal year, passenger aircraft loads increased 12.8%, which was impacted by the reduction of 14.3% available aircraft seats. Net passenger traffic was reduced by 4.1% during fiscal year 2010. During the last quarter of fiscal year 2010, the Airport was busily preparing for daily direct flight service to Chicago's O'Hare International Airport via American Eagle, which began flights on July 2, 2010.

Local Economy

The Tri-Cities Airport Commission uses quarterly data produced by the East Tennessee State University Bureau of Business and Economic Research to monitor national and regional economic conditions. Retail performance continued to recover during 2010 in the United States and the State of Tennessee. Nationally, dollar sales volume increased for the third quarter in a row – growing 7.0% during the second quarter of 2009. In Tennessee, the ten quarter decline in retail activity ended as dollar sales increased 3.5% to \$19.7 billion. Sales volume was 1.7% above 2009 levels, marking the first increase in inflation adjusted sales since mid-2007.

Adjusted for inflation, the Tri-Cities combined statistical area saw an increase in sales activity of 3.9% during the second quarter of 2010. Consumer confidence in the region continues to be affected by the world-wide recession. The consensus is that consumers will gradually increase their spending in response to slow job growth and continued price stability.

The Tri-Cities labor market showed signs of recovery during the second quarter of 2010. Area employment increased for the first time since 2008, expanding by .4% to 224,688 for a gain of over 800 jobs, compared to the same period in 2009.

Generally, national economic decreases do result in reduced air travel. Due to reduced economic conditions, travel trends at Tri-Cities Regional Airport may continue to show reduced passenger loads in the near future.

CAPITAL PLANNING

Through the Airport's master planning process, the Commission lays out a Capital Improvement Program on a rolling five-year basis. Most of these projects are funded from federal and state grant funds generated from Federal and State aviation user fees. A Capital Improvement Program is prepared annually for a five-year period outlining project descriptions and funding sources. Priorities are set in conjunction with the Airport's Master Plan and strategic plan. The priorities for FY 2010 were as follows:

- 1) Safety and security for all users of the Airport;
- 2) Projects deemed to meet air carrier passenger needs and demands;
- 3) Projects deemed to meet demands of general aviation, corporate, and cargo users;
- 4) Implement projects that will generate new revenue sources; and
Implement projects that will maximize all sources of funding and availability.

FINANCIAL INFORMATION

Internal Controls

Management of the Tri-Cities Airport Commission is responsible for establishing and maintaining an internal control structure designed to ensure that: (i.) the assets of Tri-Cities Airport Commission are protected from loss, theft or misuse; (ii.) to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles; and, (iii.) that federal financial assistance programs are managed in compliance with applicable laws and regulations.

The Airport Commission applied the concept of reasonable assurance in establishing internal controls. These assurances recognize that: (i.) the cost of a control should not exceed the benefits likely to be derived; and (ii.) the valuation of costs and benefits requires estimates and judgments by management.

As part of Tri-Cities Airport Commission's single audit, tests were made of the Airport Commission's internal control structure and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although an opinion on the Airport Commission's internal control system or its compliance with laws and regulations was not given, the audit for the year-ended June 30, 2010 disclosed no material internal control weaknesses or material violations of laws and regulations.

Operating Budget

An annual operating budget is prepared and approved by the Tri-Cities Airport Commission. All appropriations for operating expenditures lapse at the end of the fiscal year and must be reappropriated for the following year. A Capital Projects Budget is approved annually with the appropriated funds remaining intact until completion of the project.

The Tri-Cities Airport Commission continues to meet its responsibility for sound financial management. The Airport Commission is self-supporting through user fees of the Airport and has not received local tax dollars since 1967.

PENSION TRUST FUND OPERATIONS

The employees of the Tri-Cities Airport Commission are members of the Political Subdivision Pension Plan, an agent multiple-employer defined benefit pension plan that is administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits and death and disability benefits. Tri-Cities Airport Commission participates in the TCRS as an individual entity and is liable for all costs associated with the operation and administration of their plan.

The Airport Commission adopted a noncontributory plan for its employees and is required to contribute at an actuarially determined rate, which for the fiscal year ending June 30, 2010 was 18.13%.

DEBT ADMINISTRATION

The Airport Commission is a joint venture between two counties and four cities and does not have the power to issue bonds. For this reason, in 1995 Sullivan County, Tennessee, one of the owners, took the lead and issued bonds totaling \$7,055,000. The bonds were to be repaid over a twenty-year period with the average interest rate of 5.715%. An inter-governmental agreement was executed between all of the owners for liability based on their pro-rata share of ownership. The bonds are to be repaid first from Passenger Facility Charges, then all other operating revenues and reserves of the Airport, and lastly, from the owners of the Airport. This was the first time in the history of the Airport that any long-term borrowing had been implemented.

This debt was refinanced on August 14, 2003 in an effort to take advantage of the lower interest rates. The average coupon rate was reduced from 5.872% to 3.913%. The maturity remained the same, June 2015. The savings was taken upfront and will be used to fund the debt service escrow that was originally funded from Airport reserves. The reserves will be brought back under the Airport's dedicated fund and be available for other uses.

New Airport Revenue and Tax Bonds (Taxable), Series 2003 in the amount of \$5,000,000 were issued in August 2003. These bonds were issued to provide funding to: (a.) construct additional parking facilities; (b.) construct a Rental Car Ready and Return area; (c.) construct a rental car service facility; and, (d.) construct an air cargo center. The debt will be paid from a customer facility charge for the rental car projects, (70 percent of the total indebtedness) and airport operating revenue. These Bonds will mature June 2023.

The outstanding Bond debt of the Tri-Cities Airport Commission was \$6.605 million at June 30, 2010.

CASH MANAGEMENT POLICIES

The Investment Policy of the Airport Commission sets the criteria for surplus funds. The Airport Commission consolidates cash balances from all funds to maximize investment earnings. The primary objectives of investment activities are safety, liquidity, and yield.

The Tri-Cities Airport Commission is authorized to make direct investments in bonds, notes or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies. These investments may not have maturity greater than two years, except as set out in Tennessee state law. Investments may also be made in the Tennessee State Pooled Investment Fund and in repurchase agreements with state approval.

RISK MANAGEMENT

The Tri-Cities Airport Commission is fully insured and carries insurance coverage with commercial insurance carriers in amounts sufficient to meet the Airport Commission's reasonable exposure. All tenants and lessees are required to carry specified amounts of insurance coverage, naming the Airport Commission as an additional insured. All contractors engaged in construction projects are required to meet minimum requirements as specified in the bid documents.

In addition to the insurance policies carried by the Airport Commission, a restricted investment account was established in 1987 as a self-insurance contingency fund to cover any claims not covered by insurance.

OTHER INFORMATION

Independent Audit

As required by state statutes, the Tri-Cities Airport Commission requires an annual independent audit by a Certified Public Accountant. The selection is administered by the Administration/Operations Committee with final approval by the full Commission. The firm of Blackburn, Childers & Steagall, PLC was selected to perform the independent audit for the year ending June 30, 2010. The audit is also used to meet the requirements and all revisions of the federal Single Audit Act of 1996, and the related U.S. Office of Management and Budget's Circular A-133. Generally accepted auditing standards were used by the auditors in conducting their audit.

The auditor's report on the financial statements is included in the Financial Section of this report. Their independent auditors' report on internal controls and compliance with applicable laws and regulations are located at the end of the financial section.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Tri-Cities Airport Commission for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the 11th consecutive year that the Airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

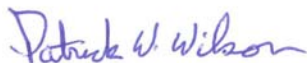
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Tri-Cities Regional Airport has received the Front Door Award for the 17th year. This award is presented by the Tennessee Department of Economic and Community Development, the Tennessee Department of Transportation, and the Tennessee Aeronautics Division, and recognizes airports as valuable community resources in economic development.

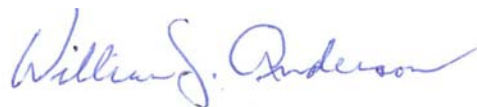
ACKNOWLEDGMENTS

We would like to take this opportunity to thank the Airport Commission for their leadership and support in planning and conducting the financial operations of the Airport. We would also like to recognize the efforts of the senior staff, David Jones, Melissa Thomas, Kathy Yakley, and Mark Canty for their contributions to this financial report. A special thanks is given to the accounting department staff, Janice Lynch, Tim Cartwright, and Teresa Acklin for their hard work and dedication.

Respectfully submitted,



Patrick W. Wilson
Executive Director



William J. Anderson, CPA
Director of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to
Tri-Cities Airport Commission
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

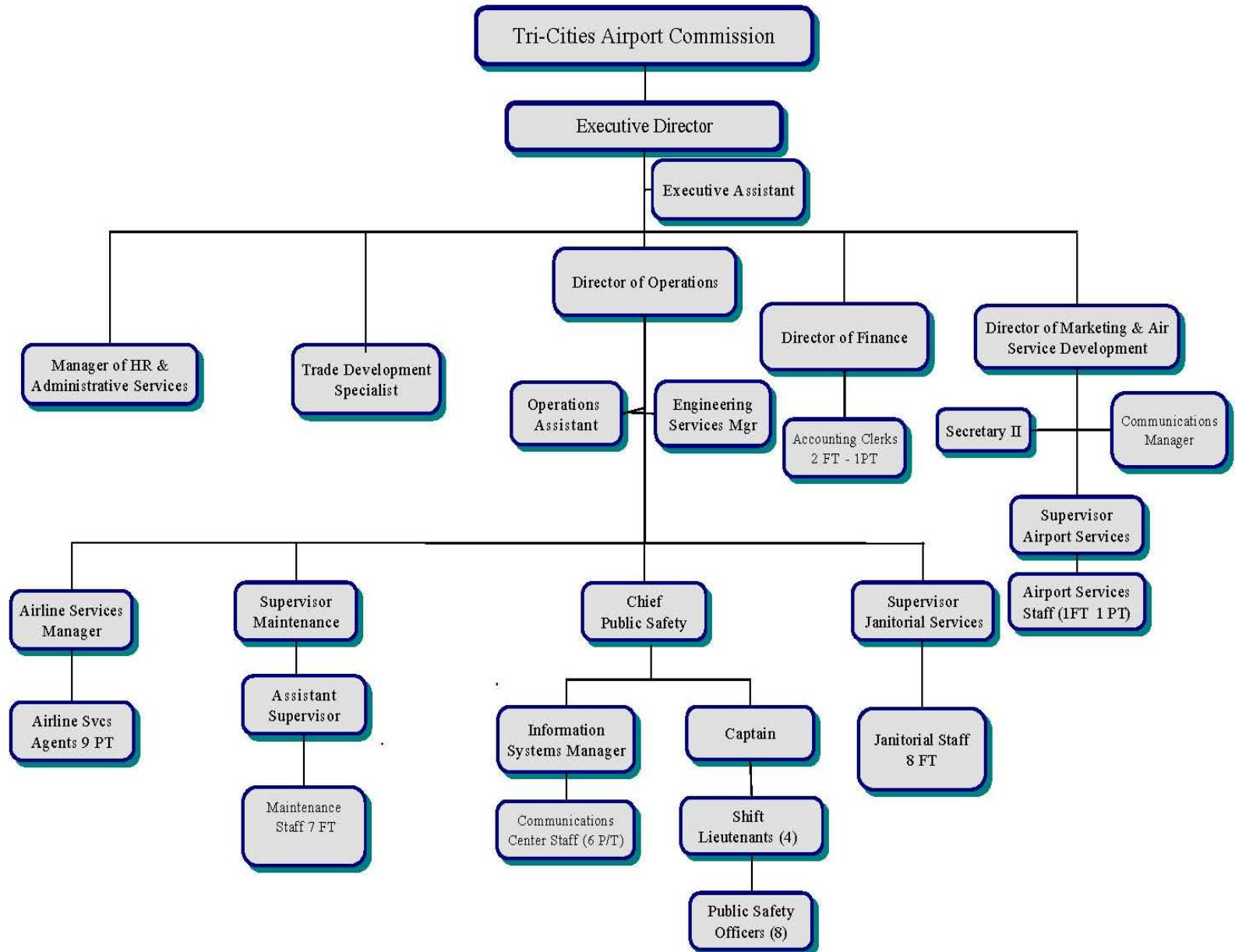
President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

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TRI-CITIES AIRPORT COMMISSION ORGANIZATION CHART



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Financial Section



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Financial

- Independent Auditors' Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Supplemental Schedules



TRI-CITIES REGIONAL AIRPORT
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Tri-Cities Airport Commission
Blountville, Tennessee

Basic Financial Statements

With

Independent Auditors' Report

And

Supplemental Information

For the Year Ended June 30, 2010



TRI-CITIES REGIONAL AIRPORT
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INDEPENDENT AUDITORS' REPORT

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

We have audited the accompanying basic financial statements of the Tri-Cities Airport Commission as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the management of the Tri-Cities Airport Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

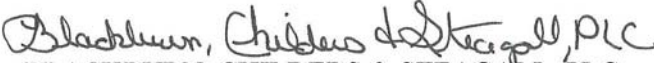
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tri-Cities Airport Commission as of June 30, 2010 and the changes in financial position and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2010, on our consideration of the Tri-Cities Airport Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of funding progress for the Tri-Cities Airport Commission Employee Retirement System on pages 27 - 39 and page 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical

context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Tri-Cities Airport Commission's basic financial statements as a whole. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards and the supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following Management Discussion and Analysis (MD&A) of the Tri-Cities Regional Airport, TN/VA's activities and financial performance provides an overview of the Tri-Cities Airport Commission's basic financial statements for the fiscal year ended June 30, 2010. The Tri-Cities Airport Commission is the governing entity operating the Tri-Cities Regional Airport. This MD&A should be read in conjunction with the "Letter of Transmittal" included in the Introduction Section and the Commission's financial statements following this section.

Overview of the Financial Statements

The Financial Section of this annual report consists of five parts: (i.) Management's Discussion and Analysis (MD&A); (ii.) the Basic Financial Statements; (iii.) Required Supplementary Information; (iv.) Statistical Schedules; and, (v.) an optional section that presents Schedules of Federal and State Awards and Passenger Facility Charge Activity.

The Tri-Cities Airport Commission is a special-purpose government with only business-type activities. The Basic Financial Statements include proprietary fund financial statements, which offer short-term and long-term financial information about the activities of the Tri-Cities Airport Commission.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are preceded by required supplementary information and followed by other schedules that further explain and support the information in the basic financial statements. Required financial statements include the Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. The financial statements are prepared using the accrual basis of accounting and economic resources measurement focus. All assets and liabilities, both financial and capital, and short-term and long-term are recorded. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of timing of related cash flows. The accompanying notes to the financial statements enhance the reader's understanding of the Airport Commission's accounting policies.

Airport Activity Highlights

Airport Passenger Activity during FY 2010 decreased by 4.1 percent compared to 2009. This minor decrease resulted primarily from the world-wide economic downturn. Aircraft operations were down 4.4% due to the air carriers' efforts to reduce flights in order to increase efficiencies and due to the cancellation of service to Cincinnati.

Air Cargo activity decreased 93.6% over fiscal year 2009 due to cancellation of cargo service from DHL in December 2008 and also due to the world-wide economic downturn.

The following table shows the percentage of increase/decrease from the previous fiscal year.

<u>Activity</u>	<u>FY 2010</u>	<u>FY 2009</u>	<u>% of Change</u>
Passengers	402,773	419,777	4.1%
Aircraft Operations	51,573	53,948	4.4%
Aircraft Landed Weights (lbs.)	280,538	347,417	19.3%
Seating Capacity	585,744	683,294	14.3%
Mail	5,114	1,593	221.0%
Air Freight	379,414	5,999,334	93.7%

The following airlines serve Tri-Cities Regional Airport, TN/VA:

Delta Connection offers the majority of flights and seats at TRI. Delta provides an average of nine flights per day to Atlanta and one flight per day to Detroit aboard 36-to-50 seat regional jets.

US Airways Express has an average of six daily round-trip flights to Charlotte aboard 50-passenger Embraer and Canadair regional jets and the de Havilland Dash 8 propjet seating 37 or 50 passengers.

American Eagle began two daily flights direct to Chicago's O'Hare International Airport on July 2, 2010 on 44 seat regional jets.

Allegiant Air began low fare service to Orlando in May 2007 aboard 150-seat MD-80 jets. Service was then expanded to St. Petersburg - Clearwater in November 2008.

Financial Position

The overall financial position of the Airport Commission improved with an 9.1% increase in total net assets. This increase was primarily due to continued capital contributions.

Operating Income before depreciation and amortization was up 53.3% over 2009 largely because of a decrease in expenses of 6.1% over fiscal year 2009.

Capital contributions received from federal and state grants were down \$0.711 million over last year.

Summary of Changes in Net Assets

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues	\$5,693,560	\$5,818,444	\$6,117,33
Operating Expenses	<u>5,101,080</u>	<u>5,431,972</u>	<u>5,415,059</u>
Operating Income before			
Depreciation & Amortization	592,480	386,472	702,272
Less: Depreciation & Amortization	<u>3,066,865</u>	<u>2,869,102</u>	<u>2,903,443</u>
Operating Loss	(2,474,385)	(2,482,630)	(2,201,171)
Non-Operating Revenues (Expenses)	<u>809,692</u>	<u>781,318</u>	<u>878,429</u>
Loss before Capital Contributions	(1,664,693)	(1,701,312)	(1,322,742)
Capital Contributions	<u>6,774,016</u>	<u>7,485,388</u>	<u>4,330,262</u>
Change in Net Assets	<u>\$5,109,323</u>	<u>\$5,784,076</u>	<u>\$3,007,520</u>

Operating and Non-Operating Revenue Highlights

Operating revenues are generated from the tenants and/or "users" of the Airport through airfield charges, terminal rents, concession revenue, parking fees, and other sources.

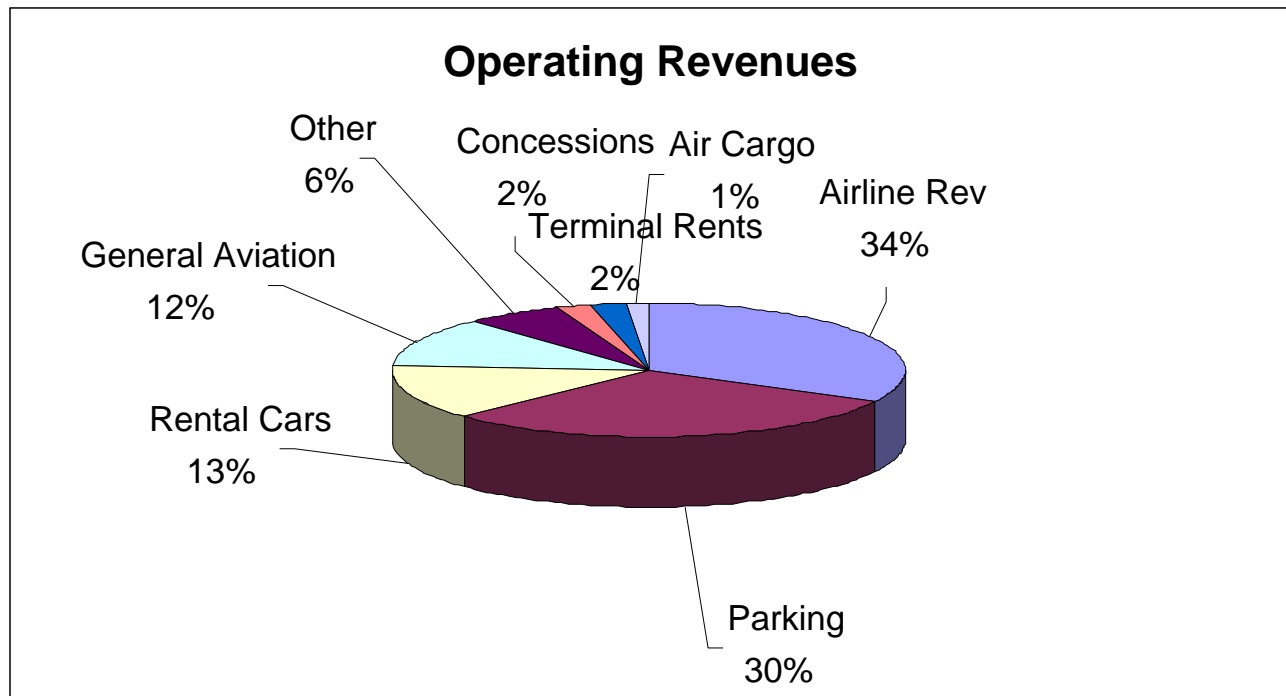
Non-operating revenue is made up of unrestricted and restricted funds. Unrestricted revenue comes from interest income, investment gains, donations and other sources not resulting from operations. The restricted revenue is generated for a defined purpose and cannot be used to fund operating expenses. The current restricted revenues are Passenger Facility Charges and Customer Facility Charges.

The Airport Commission develops an operating budget and capital improvement budget each year. Operating revenues are generated to first fund operating expenses. Any net operating revenues are then transferred to the reserve accounts to fund the Airport's portion of capital projects. Any net revenues after capital projects are placed in the operating reserves.





The following schedule presents a summary of revenues for the fiscal years ended June 30, 2010, June 30, 2009 and June 30, 2008.

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues:			
Airline Revenue	\$1,868,451	\$2,026,840	\$2,037,253
General Aviation	668,549	608,608	627,131
Air Cargo	79,123	143,055	216,703
Parking	1,704,348	1,782,756	1,878,917
Rental Cars	764,671	679,626	840,589
Restaurant	0	0	31,079
Concessions	136,192	143,767	118,633
Terminal Rents	120,151	116,488	107,938
Other	<u>352,075</u>	<u>317,304</u>	<u>259,088</u>
Total Operating Revenues	<u>\$5,693,560</u>	<u>\$5,818,444</u>	<u>\$6,117,331</u>
Non-Operating Revenues:			
Interest Income	69,405	65,844	159,649
Passenger Facility Charges	790,497	843,482	832,657
Customer Facility Charges	<u>307,017</u>	<u>253,729</u>	<u>291,228</u>
Total Non-Operating Revenues	<u>\$1,166,919</u>	<u>\$1,163,055</u>	<u>\$1,283,534</u>
TOTAL REVENUES	<u>\$6,860,479</u>	<u>\$6,981,499</u>	<u>\$7,400,865</u>
Capital Contributions:			
Federal Grant Revenue	\$5,170,594	\$5,096,784	\$3,305,742
State Grant Revenue	<u>1,603,422</u>	<u>2,388,604</u>	<u>1,024,520</u>
Total Capital Contributions	<u>\$6,774,016</u>	<u>\$7,485,388</u>	<u>\$4,330,262</u>

The following chart shows the sources of operating revenue and percentage of operating revenues for the year ended June 30, 2010.



Operating Revenues decreased by \$124,884 from \$5,818,444 to \$5,693,560.

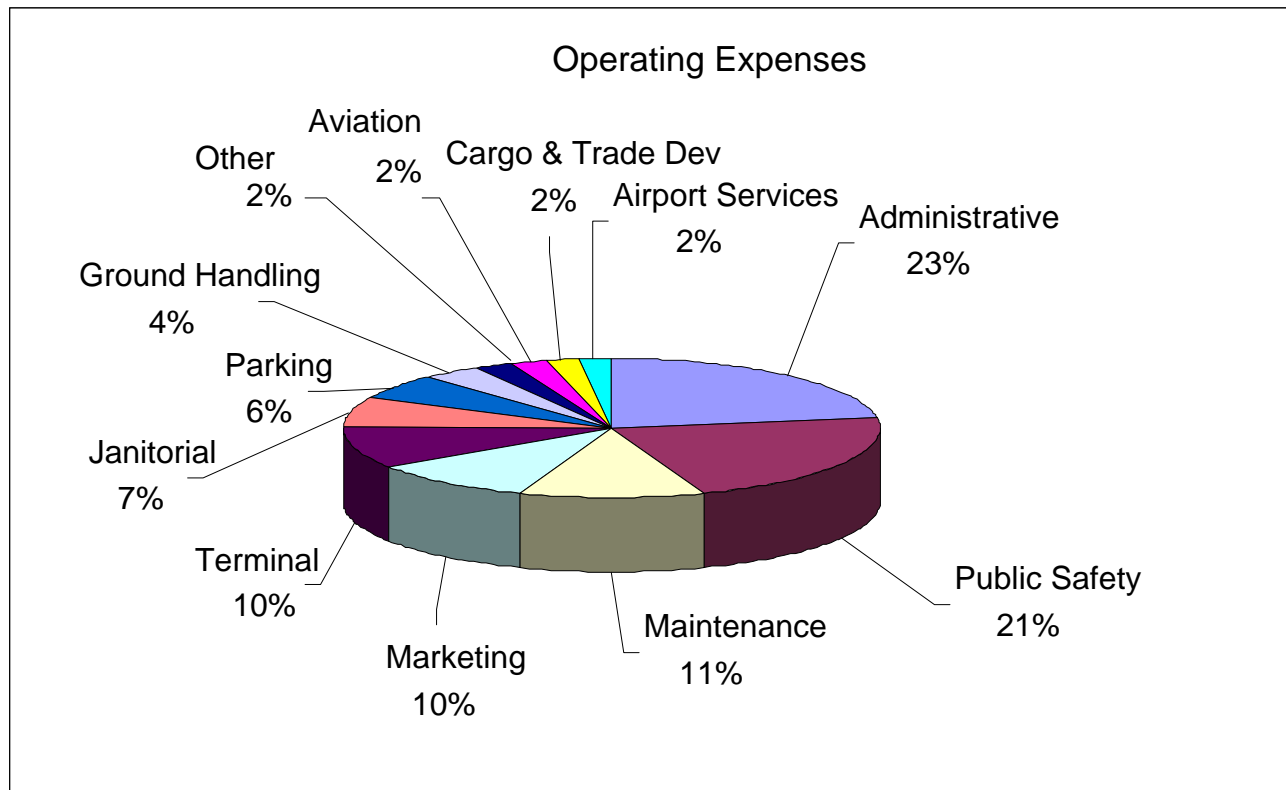
-  Airline revenue was down by 7.8% or \$158,389 on revenues of \$1,868,451 due to reduced landing fees, the merger of Northwest Airlines with Delta, and reduced ground handling services.
-  General Aviation revenues increased 9.8% by \$59,941 primarily due to increases in hangar and building rents.
-  Rental Car revenue was up \$85,045 or 12.5% largely because of increased commissions for Rental Car companies.
-  The new Air Cargo Logistics Center became operational in July 2005. Air cargo revenues were down 44% by \$63,932 due to the elimination of DHL service.

Operating Expenses:

The following schedule presents a summary of expenses for the fiscal years ended June 30, 2010 and 2009:




Operating Expenses:	<u>FY 2010 Amount</u>	<u>FY 2009 Amount</u>	<u>Increase (Decrease)</u>	
Aviation	109,157	102,193	6,964	6.8%
Terminal	485,255	496,157	(10,902)	-2.2%
Air Cargo	17,258	18,949	(1,691)	-8.9%
Other Properties	30,326	20,671	9,655	46.7%
Public Safety	1,093,843	1,155,157	(61,314)	-5.3%
Maintenance	565,373	525,932	39,441	7.5%
Janitorial	365,242	394,234	(28,992)	-7.4%
Airport Services	96,505	100,889	(4,384)	-4.3%
Marketing	516,219	587,529	(71,310)	-12.1%
Parking & Shuttle	289,234	320,748	(31,514)	-9.8%
Air Cargo & Trade Development	107,495	111,622	(4,127)	-3.7%
Engineering Department	41,720	45,996	(4,276)	-9.3%
Administrative	1,165,423	1,239,077	(73,654)	-5.9%
Business Development	10,000	17,668	(7,668)	-43.4%
RAC Service Facility – Utilities	26,497	22,577	3,920	17.4%
Ground Handling Services	181,451	200,928	(19,477)	-9.7%
Small Equipment Expense	82	71,645	(71,563)	-99.9%
Total Operating Expenses	5,101,080	5,431,972	(330,892)	-6.1%

The following pie chart shows the Airport Commission's expenses by category and the percentage of operating expenses for the year ended June 30, 2010.









Operating Expenses Highlights:

Operating Expenses were down by \$330,892 or 6.1% as compared to the previous year. This was accomplished due to the teamwork and perseverance of the Airport's employees. Variation analysis of the Operating Expenses revealed:

-  Terminal expenses were down \$10,902 or 2.2% primarily due to decreased Electricity and Heating Fuel cost.
-  Public Safety costs were down \$61,314 or 5.3% primarily due to decreases in Payroll and Equipment Maintenance expenses.
-  Maintenance costs were up \$39,441 or 7.5% due largely to Payroll expenses.

Operating Expenses Highlights: (Continued)

-  Janitorial expenses were down \$28,992 or 7.4% due primarily to reductions in Payroll and Group Insurance costs.
-  Marketing expenses were down \$71,310 or 12.1% because of a decrease in Marketing Initiative expenses.
-  Parking expenses were down \$31,514 or 9.8% due primarily to a reduction in Liability Insurance cost.
-  Administrative expenses were down \$73,654 or 5.9% due primarily to a reduction in legal and consulting expenses.
-  Ground Handling Services decreased \$19,477 or 9.7% due to decreased payroll expenses.
-  Small Equipment expenses were down \$71,563 due to reduced purchases of small equipment.

Financial Position Summary

The Balance Sheet presents the financial position of the Airport at the end of the fiscal year. The statement includes all assets and liabilities of the Airport. Net assets are the difference between the total assets and total liabilities.

A condensed summary of the Airport Commission's total net assets for the fiscal years ended June 30:

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current Assets	\$ 3,745,911	\$ 4,209,851	\$ 4,854,881
Capital Assets (net)	62,853,137	57,754,453	52,393,549
Restricted Noncurrent Assets	2,730,968	3,361,289	2,352,351
Other Noncurrent Assets	121,189	-	-
Total Assets	<u>\$69,451,205</u>	<u>\$65,325,593</u>	<u>\$59,600,781</u>
Current Liabilities	\$ 2,465,317	\$ 2,724,124	\$ 2,062,902
Noncurrent Liabilities	<u>5,927,151</u>	<u>6,652,055</u>	<u>7,372,541</u>
Total Liabilities	\$ 8,392,468	\$ 9,376,179	\$ 9,435,443

Financial Position Summary (Continued)

	Year Ended June 30,		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net assets invested in capital assets, net of related debt	\$56,595,863	\$50,301,978	\$45,438,936
Restricted Net Assets	754,568	806,920	566,711
Unrestricted Net Assets	<u>3,708,306</u>	<u>4,840,516</u>	<u>4,159,691</u>
Total Net Assets	<u>\$61,058,737</u>	<u>\$55,949,414</u>	<u>\$50,165,338</u>
Total Liabilities and Net Assets	<u>\$69,451,205</u>	<u>\$65,325,593</u>	<u>\$59,600,781</u>

Airline Rates and Charges

The Airport Commission establishes airline rates and charges based on an annual review of projected airline activity and associated operating expenses. The Commission's rate setting philosophy incorporates a terminal rental rate calculated in a compensatory manner, in which the tenants pay only for their share of the facility occupied and used. The landing fee is based on an airfield residual cost center approach wherein the passenger and cargo carriers pay the net costs of the airfield, after receiving credit for airfield-related general aviation revenues.

The previous operating agreement with the air carriers expired June 30, 2007. In October 2008, the Airport Commission established the following interim rates and charges. The Airport is currently working with the air carriers on the development of a new airline operating and use agreement.

Signatory Airline Rates and Charges

Terminal Square Foot Rate per year	\$40.52
Landing Fee (per 1,000 lbs MGLW)	\$ 1.94
Public Safety Reimbursement	50% of Public Safety Budget

Capital Acquisitions and Construction Activities

During fiscal year 2010, several capital improvement projects were started and completed. Listed below are some of the major projects.

Completed Projects

The Terminal Building Improvements – Phase I, completed in the fall of 2009, included roof rehabilitation, concourse carpeting and exterior painting, asbestos abatement and emergency egress lighting, all of which was part of the first phase of the passenger terminal building upgrade. The Terminal Ramp Reconstruction – Phase II and Phase II Supplemental Agreement I, completed in the spring of 2010, continued removal of old asphalt ramp wear surface and new concrete surface replacement, storm sewer upgrades, demolition of the old concourse building and ramp utility and lighting repositioning. The East Hangar Roof Rehabilitation, completed in the fall of 2009, included removal of the existing roof and replacement of new roofing material and gutters. The Perimeter Security Fence Rehabilitation – Phase I project, completed in fall 2009, include removal of old deteriorated security fencing and replacement of new 8' high standard fence, with a concrete base strip and new access control gates. The Terminal Building Sound System Improvements project was substantially completed in May 2010, with the additional installation/replacement of sound system speakers/microphones and the installation of sound absorption acoustical panels in the ceiling and ticketing areas.

Current Projects

The Airport is continuing to update the Airport Master Plan. The Master Plan project includes analysis of airport passenger and facilities demand/capacity/alternatives, financials, an airport layout plan and updating a property map, along with public meetings and presentations to the Commission. The Master Plan forecast was approved by the FAA in March 2010. The Airport continues with the Terminal Ramp Reconstruction – Phase 4, which includes milling removal of old ramp asphalt wear surface and installing new asphalt overlay in place and upgrading air carrier ramp storm sewer systems. The Perimeter Security Fence Rehabilitation – Phase II continues with the removal of old fencing and replacement of new standard 8' fencing and concrete mow strip at the fence base. The new fence project includes sections along Hamilton Road, Highway 75 and the north part of the airport operations area.

The Airport was successful in receiving a State Aeronautics grant amendment for \$748,668 to bring the total grant amount to \$ 2,183,668 for the construction of a new aircraft hangar in the newly developed South Aviation area. The new South Aviation area includes a taxiway, access road and utilities to serve several future aircraft hangars. The approximately 150' x 85' new hangar facility will accommodate multiple aircraft storage needs at the airport.

The Runway 5 aircraft approach, Part 77 surface, was surveyed, with trees being identified in the approach safety area, which require removal. The Airport was successful in receiving a State Aeronautics grant for \$ 62,750 to clear the tree obstructions from the Runway 5 approach surface.

The Airport received a State Aeronautics grant for the General Aviation Terminal Building Rehabilitation in the amount of \$ 474,300 for the upgrade of the facility. The improvements include remodeling the public bathrooms to meet ADA compliance, heating and air conditioning upgrades, lobby remodeling and operational functions office and room layout improvements. The project also includes terminal building renovations to both airside and landside parking lot entrances.

The Airport obtained a Federal Entitlement grant for \$ 368,600 to purchase a parcel of land adjoining the airfield. The land is located in the airport's runway protection zone between the primary Runway 23 and Runway 27 areas. The acquisition enables the airport to control future non compatible development near the airfield and airport operations area.

The Airport was successful in receiving a Federal Entitlement grant for \$ 1,768,261 for several combined projects. The first project, approximately \$ 398,000, is for a snow removal truck and 22' plow to be used for snow removal on runway, taxiway and air carrier ramp surfaces during airport snow and ice control events. The second portion of the grant was for the General Aviation (GA) Ramp Expansion – Phase I project. This project will demolish two old buildings, relocate an access road and expand the general aviation aircraft parking apron for both immediate and long term general aviation development needs at the airport. The final part of the grant was used to add a taxiway guidance sign and repair of two sink holes located on the airfield taxiway system.

Capital expenditures are funded from a variety of funding sources. Those funding sources include federal entitlement and discretionary grants, state grants, PFC revenue, CFC revenue, bond proceeds and Airport revenues. Additional information on the Airport's capital assets can be found in Note 6 – Capital Assets and Depreciation, of the notes to the financial statements.

Debt Administration

The Tri-Cities Airport Commission is a joint venture between four cities and two counties and does not have the authority to borrow funds. In July of 1995, one of the owners of the Airport, Sullivan County, Tennessee, issued \$7 million in airport revenue and tax bonds, series 1995. These funds were to be used to fund several capital projects. These bonds are to be paid first from passenger facility charges (currently, \$4.50 fee per enplaned passenger), second from all other revenues and reserves of the Airport, and third from the Owners of the Airport. The funds were used for terminal improvements, the safety area expansion, and site preparation for the Southside development.

In August 2003, Sullivan County, Tennessee on behalf of the Airport Commission entered into a \$5 million Airport Revenue and Tax Bonds (Taxable) Series 2003. The average coupon rate is 5.54% with annual debt service of approximately \$432,000. The bonds will mature in twenty years.

The outstanding debt as of June 30, 2010 was \$6,605,000.

In the notes to the financial statements, Note 10 – Long-Term Debt, describes the bonds in more detail and reflects a summary of the repayment structure.

Passenger Facility Charge (PFC)

The Tri-Cities Airport Commission received approval from the FAA to implement a PFC for \$3.00 per enplaned passenger beginning February 1997 for a total of \$8.5 million. In August 1999, the PFC was amended to reduce the first portion to \$5.6 million in collections and to add two additional projects requiring collections of \$5.8 million. In August 2007 the PFC was increased to \$4.50, with two additional projects totaling \$668,500 million and a total combined authority of PFC collections of \$11.190 million.

PFC funds are used to pay debt service on the \$7 million bond issue. As of June 30, 2010, the Airport Commission has collected \$8.442 million in PFCs and earned \$186,426 in interest on the funds. Debt payments of \$7.040 million have been made from PFC collections. The balance in the PFC Sinking Fund as of June 30, 2010 was \$633,656.

Customer Facility Charges (CFC)

A customer facility charge is a fee placed upon a customer/user contract that must be used for a dedicated capital improvement. A \$6 per contract fee was placed on rental car contracts effective November 1, 2002. Due to a decrease in rental contract activity, this rate was increased to \$7 per contract in January 2005 and then to \$9 in August 2009. This fee is designated to pay debt service on bond funds used for improvements to the rental car ready and return parking and the new consolidated rental car service facility. As of June 30, 2010, the airport's rental car concessionaires had collected \$2.175 million in customer facility charges.

Economic Factors

At the national level, through the second quarter of 2010 unemployment was higher for the twelfth quarter in a row. This is in contrast to the Tri-Cities area where the jobless rate was 9.0% versus the national unemployment rate was 9.5%.

Acknowledgments

This financial report is designed to provide a general overview of the Tri-Cities Airport Commission's finances for all interested parties. Questions concerning this report or requests for additional information should be directed to Bill Anderson, Director of Finance, Tri-Cities Airport Commission, Post Office Box 1055, Blountville, TN 37617, telephone (423) 325-6007, or e-mail address of banderson@triflight.com.

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Basic Financial Statements



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TRI-CITIES AIRPORT COMMISSION
BALANCE SHEET
June 30, 2010

ASSETS

CURRENT ASSETS

Cash on Hand	\$ 1,110
Cash in Bank - Checking	1,305,157
Restricted Assets	
Cash in Bank - Passenger Facility Charges	173,353
Cash in Bank - Customer Facility Charges	120,593
PFC Receivable	120,913
Accounts Receivable - Operations (Net of Allowance, \$61,630)	414,624
Grants Receivable	1,515,769
Prepaid Expenses	94,392
	<u>3,745,911</u>
Total Current Assets	<u>3,745,911</u>

NONCURRENT ASSETS

Capital Assets	
Land	13,074,312
Construction in Progress	10,646,720
Runways and Roads	57,774,993
Parking Lot	4,932,987
Terminal Building	14,295,182
Other Buildings	10,306,256
Equipment and Vehicles	8,258,162
Master Plans	612,712
Less: Accumulated Depreciation	(57,048,187)
Net Capital Assets	<u>62,853,137</u>
Restricted Assets	
Cash on Deposit with other Governmental Entities - Construction	101,594
Cash on Deposit with other Governmental Entities - Debt Service Reserve	1,058,760
Certificates of Deposit	1,059,682
Certificates of Deposit - Passenger Facility Charges	460,302
Certificates of Deposit - Customer Facility Charges	50,630
Utility Deposits	2,557
Equipment Deposits	27,575
Bond Issue Costs (Net of Accumulated Amortization, \$92,255)	91,057
	<u>65,705,294</u>
Total Noncurrent Assets	<u>65,705,294</u>

TOTAL ASSETS	<u><u>\$ 69,451,205</u></u>
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(Continued)

TRI-CITIES AIRPORT COMMISSION
BALANCE SHEET
June 30, 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable - Operations	\$ 397,159
Accounts Payable - Construction	780,090
Retainage Payable	173,643
Accrued Expenses	25,000
Accrued Interest	54,237
Accrued Wages	127,658
Accrued Vacation	172,840
Compensated Absences	14,690
Bonds Payable	<u>720,000</u>

Total Current Liabilities	<u>2,465,317</u>
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NONCURRENT LIABILITIES

Bonds Payable	5,885,000
Deferred Bond Refunding	(41,969)
Deposits from Leasees	7,250
Unearned Revenue	<u>76,870</u>

Total Noncurrent Liabilities	<u>5,927,151</u>
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TOTAL LIABILITIES	<u>8,392,468</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	56,595,863
Restricted - Passenger Facility Charge	754,568
Unrestricted	<u>3,708,306</u>

TOTAL NET ASSETS	<u>61,058,737</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 69,451,205</u></u>
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The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING REVENUES

Airline Revenue	
Landing Fees	\$ 542,399
Rents	1,326,052
Total Airline Revenue	<u>1,868,451</u>
Non-Airline Revenues	
General Aviation	668,549
Air Cargo	79,123
Parking Revenue	1,704,348
Rental Car Revenue	764,671
Terminal Concessions	136,192
Terminal Space Rents	120,151
Other Revenues	352,075
Total Non-Airline Revenues	<u>3,825,109</u>
Total Operating Revenues	<u>5,693,560</u>

OPERATING EXPENSES

Aviation Area	
Utilities	35,487
Maintenance - Buildings	2,978
Power Vault - Diesel Fuel and Maintenance	3,986
Runway, Taxiway and Field Maintenance	27,674
Lighting and Electrical Maintenance	7,426
Field and Gate Maintenance	887
Snow and Ice Control	14,686
Ramps and Aprons	2,340
Equipment Rental	7,663
Environmental Compliance	4,779
Air Traffic Control Service	1,251
Total Aviation Area	<u>109,157</u>
Terminal Area	
Electricity	256,712
Heating Fuel	27,206
Water and Sewer	61,381
Telephone	4,694
Electrical Maintenance	5,070
HVAC Maintenance	20,021
Building Repairs and Parts	17,800
Plumbing	4,292
Equipment and Furnishings	5,097
Roadway, Parking Lots and Field Maintenance Expense	28,498
Elevator Contract	27,946
Trash Removal Contract	14,325
Other Contractual Services	12,213
Total Terminal Area	<u>485,255</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)

Air Cargo Center		
Utilities		13,024
Heating Fuel		2,069
Trash Removal		799
Repairs and Maintenance		<u>1,366</u>
Total Air Cargo		<u>17,258</u>
Other Properties		
North Terminal		
Utilities	8,079	
Building Repairs	<u>232</u>	
Total North Cargo Terminal	<u>8,311</u>	
Office Annex		
Utilities	5,661	
Heating Fuel	3,081	
HVAC Maintenance	137	
Building Repairs	<u>29</u>	
Total Office Annex	<u>8,908</u>	
Other Property - Land and Buildings	<u>13,107</u>	
Total Other Properties		<u>30,326</u>
General Area - Public Safety		
Salaries		664,888
FICA Contributions and Unemployment		51,939
Retirement		110,491
Insurance		136,414
General Personnel Expense		29,465
Fire Hall Expense		5,234
Security - Parking and Identification		4,162
Medical Supplies		3,958
Vehicle Fuel		25,664
Supplies		2,362
Equipment Maintenance		18,857
Training		14,044
Uniforms		5,876
Dues and Subscriptions		575
Office Supplies		623
Telephone		6,062

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)

General Area - Public Safety (continued)

Access Control	12,944
Medical and Psychological Testing	285
Total General Area - Public Safety	<u>1,093,843</u>

General Area - Maintenance

Salaries	311,302
FICA Contributions and Unemployment	23,214
Retirement	59,420
Insurance	98,525
General Personnel Expense	3,193
Utilities	9,720
Heating Fuel	2,811
Repairs and Maintenance	21,324
Gas and Oil	19,879
Small Tools	1,801
Uniforms - Maintenance	3,325
Supplies	7,032
Training	3,827
Total General Area - Maintenance	<u>565,373</u>

General Area - Janitorial

Salaries	223,087
FICA Contributions	16,916
Retirement	42,130
Insurance	46,911
General Personnel Expense	5,315
Supplies	27,477
Repairs and Maintenance	865
Uniforms	2,486
Snow Removal and Other	55
Total General Area - Janitorial	<u>365,242</u>

General Area - Airport Services

Salaries	60,735
FICA Contributions	4,510
Retirement	9,772
Insurance	18,550
General Personnel Expense	312
Supplies	2,274
Uniforms	352
Total General Area - Airport Services	<u>96,505</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)

Marketing	
Salaries	146,545
FICA Contributions and Unemployment	10,954
Retirement	27,387
Insurance	23,399
General Personnel Expense	757
Advertising	6,826
Research and Development	13,200
Consulting Services	36,991
Marketing Initiative	215,153
Program Materials	2,082
Airline Relations	3,436
Community Relations	3,669
Travel	13,936
Professional Affiliations	1,593
Office Supplies	10,291
Total Marketing	<u>516,219</u>

Administrative

Salaries	481,232
FICA Contributions and Unemployment	37,347
Retirement	105,985
Medical Insurance	67,553
General Personnel Expense	12,290
Accounting	40,650
Legal	37,460
Insurance	254,097
Dues and Subscriptions	16,937
Consulting Service	16,166
Engineering	3,975
Office Supplies	17,227
Telephone	15,759
Maintenance	9,869
Seminars and Conferences	19,276
General Administrative Expense	18,535
Postage and Handling	2,654
Bad Debt	8,411
Total Administrative	<u>1,165,423</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)

Air Cargo and Trade Development

Foreign Trade Zone

Marketing Initiatives	6,041
Contract Services	2,900
Professional Affiliations	1,210
Total Foreign Trade Zone	<u>10,151</u>

Administrative

Travel / Auto	2,274
Supplies, Furniture and Fixtures	3,164
Total Administrative	<u>5,438</u>

Personnel

Salaries	62,588
FICA Contributions	4,755
Medical Insurance	12,594
General Personnel Expense	294
Retirement Expense	11,675
Total Personnel	<u>91,906</u>

Total Air Cargo and Trade Development	<u>107,495</u>
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Parking

Salaries	171,455
FICA Contributions	15,475
General Personnel Expense	10,888
Uniforms	710
Supplies	1,019
Ticket and Printing Expense	5,237
Office Supplies	1,847
Repairs and Maintenance	2,847
Other Fees	492
Liability Insurance	8,638
Utilities	7,447
Postage and Freight	455
Telephone	3,804
Recruiting	57
Financial Services	1,766
Credit Card Discount	29,540
Miscellaneous	3,557
Management Fee	24,000
Total Parking	<u>289,234</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)

Engineering	
Salaries	6,145
FICA Contributions	5,064
Retirement	13,090
Insurance	9,151
General Personnel Expense	387
Supplies	2,081
Equipment Maintenance	1,191
Miscellaneous	1,013
Training and Seminars	2,687
Dues and Subscriptions	911
Total Engineering	<u>41,720</u>
Business Development Partnerships	
Development Partnerships	<u>10,000</u>
Total Business Development Partnerships	<u>10,000</u>
RAC Service Facility	
Utilities	<u>26,497</u>
Total RAC Service Facility	<u>26,497</u>
Ground Handling Services	
Salaries	139,218
FICA Contributions	10,638
Retirement	6,076
General Personnel Expense	7,716
Insurance	4,875
Uniforms	2,727
Supplies	2,650
Equipment and Maintenance	4,697
Miscellaneous	2,854
Total Ground Handling Services	<u>181,451</u>

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

OPERATING EXPENSES (Continued)	
Small Equipment	
Small Equipment Expense	82
Total Small Equipment	<u>82</u>
 Total Operating Expenses	 <u>5,101,080</u>
 Operating Income before Depreciation and Amortization	 592,480
Less: Depreciation	3,053,364
Amortization	<u>13,501</u>
Operating Loss	<u>(2,474,385)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	69,405
Interest Expense	(356,747)
Management Fees	(480)
PFC Revenue	790,497
CFC Revenue	307,017
Total Nonoperating Revenues (Expenses)	<u>809,692</u>
 Loss before Capital Contributions	 <u>(1,664,693)</u>
CAPITAL CONTRIBUTIONS	
Federal Grant Revenue	5,170,594
State Grant Revenue	1,603,422
Total Capital Contributions	<u>6,774,016</u>
 CHANGE IN NET ASSETS	 5,109,323
TOTAL NET ASSETS, JULY 1	<u>55,949,414</u>
TOTAL NET ASSETS, JUNE 30	<u><u>\$ 61,058,737</u></u>

The accompanying notes are an integral part of these basic financial statements.

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 5,702,985
Cash Payments to Suppliers for Goods and Services	(1,163,492)
Cash Payments to Employees for Services	(2,411,072)
Cash Payments for Employee Benefits	(1,055,427)
Cash Payments for Insurance	<u>(249,790)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES

823,204

CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES

Acquisition and Construction of Capital Assets	(8,648,385)
Capital Grants Received	6,897,168
PFC Funds Received	808,349
CFC Funds Received	322,865
Interest Paid	(352,352)
Principal Paid on Long-Term Debt	<u>(695,000)</u>

NET CASH USED FOR CAPITAL AND
RELATED FINANCING ACTIVITIES

(1,667,355)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Investments	(35,325)
Sale of Investments	421,328
Interest Received	69,405
Cash Paid for Management Fees	<u>(480)</u>

NET CASH PROVIDED BY INVESTING ACTIVITIES

454,928

NET DECREASE IN CASH

(389,223)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

3,149,790

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 2,760,567

(Continued)

TRI-CITIES AIRPORT COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

RECONCILIATION OF OPERATING LOSS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Loss	\$ (2,474,385)
Adjustments	
Depreciation	3,053,364
Amortization	13,501
(Increase) Decrease in Assets	
Accounts Receivable	22,493
Prepaid Insurance Expense	4,307
Other Receivables	720
Utility Deposits	(26)
Increase (Decrease) in Liabilities	
Accounts Payable	218,584
Accrued Expenses	(29,144)
Accrued Vacation	31,224
Accrued Wages	(148)
Accrued Compensation	(3,498)
Deferred Revenue	<u>(13,788)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ 823,204

RECONCILIATION TO BALANCE SHEET

Cash on Hand	\$ 1,110
Cash in Bank - Checking	1,305,157
Cash in Bank - Passenger Facility Charges	173,353
Cash in Bank - Customer Facility Charges	120,593
Cash on Deposit with other Governmental Entities - Construction	101,594
Cash on Deposit with other Governmental Entities - Debt Service Reserve	<u>1,058,760</u>

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,760,567

The accompanying notes are an integral part of these basic financial statements.

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Notes to the Basic Financial Statements



TRI-CITIES REGIONAL AIRPORT
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TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Tri-Cities Airport Commission (the “Commission”) is reported as an enterprise fund, a proprietary fund type to account for the operation of the Airport facility. The accompanying basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. GASB Statement No. 20 gives governments the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or contradict GASB pronouncements. The Commission has elected not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Commission are charges to customers for services. Reimbursements of operating expenses by the federal and state governments are reported as operating revenues. Operating expenses for the Commission include the cost of sales and services, administrative expenses, and amortization and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Assets

Restricted assets are held to satisfy bond principal and interest sinking fund requirements, insurance claims greater than coverage, or are otherwise held for certain capital improvement projects.

Accounts Receivable

Accounts receivable are reported at the net realizable amounts from third party payors, leasee payments, and other services rendered. Accounts receivable are reported net of an allowance for uncollectible amounts. The allowance for uncollectible amounts is based on prior collection history of receivables, known collection risks and environmental factors, including the age of the receivables.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, runways, parking lots, and similar items), are defined by the Commission as assets with an initial individual cost of \$3,000 and greater. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Runways, Roads, etc.	20 years
Parking Lot	20 years
Terminal Building	30 years
Other Buildings	30 years
Equipment and Vehicles	5-20 years

Investments and Cash Equivalents

Investments are recorded at fair values as determined by quoted market prices at the balance sheet date. Investments that have an original maturity of three months or less are considered cash equivalents for purposes of the statement of cash flows.

Bond Issue Costs

Bond issue costs are amortized using the straight-line method over the term of the bond issue.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets are the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations on their use by external restrictions imposed by other governments, creditors or grantors.

Budgets

Under the by-laws of the Commission, management must submit an annual operating budget to the Tri-Cities Airport Board of Commissioners for approval. In addition, management must submit to the Commissioners annually a capital improvements budget.

The Commission is not required to demonstrate statutory compliance with annual operating or capital improvements budgets. Accordingly, budgetary data is not included in the basic financial statements. Unexpended appropriations lapse at year end.

NOTE 2 - GENERAL INFORMATION

The Commission is jointly owned and administered by the following governmental agencies:

	<u>Ownership</u>	<u>Representation</u>
Washington County, Tennessee	20 Percent	3 Commissioners
City of Johnson City, Tennessee	20 Percent	3 Commissioners
Sullivan County, Tennessee	20 Percent	2 Commissioners
City of Kingsport, Tennessee	20 Percent	2 Commissioners
City of Bristol, Tennessee	10 Percent	1 Commissioner
City of Bristol, Virginia	10 Percent	1 Commissioner

A separate enterprise fund is maintained for the Commission and the owners do not record any balances for the Commission.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash on the statements of net assets and cash flows include cash on hand, demand deposits, and certificates of deposit with an original maturity of three months or less. There are some certificates of deposit that have an original maturity of greater than three months. These are shown as non-current restricted assets.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and Certificates of Deposit: Are all covered by FDIC insurance or by the state collateral pool. The Commission is exposed to concentration of credit risk by placing its deposits in financial institutions. To mitigate custodial credit risk, the Commission ensures that bank balances within excess of the FDIC coverage are held within financial institutions which are members of the State of Tennessee bank collateral pool to ensure excess balances are fully collateralized at all times.

DEPOSITS - All deposits with financial institutions other than savings and loan associations must be collateralized in an amount equal to 105% of the fair value of uninsured deposits. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) By an amount equal to 110% of the fair value of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) By an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) By providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

NOTE 4 - DEBT SERVICE RESERVE

The debt service account was funded from restricted assets of the Commission. The cash is on deposit with the Sullivan County Trustee and is to be invested in an interest bearing account. These monies are to be used only to the extent that the funds in the principal and interest account are insufficient to cover principal and interest requirements for the bonds described in Note 10.

NOTE 5 - PREPAID EXPENSES

Payments made for insurance that will benefit periods beyond June 30, 2010 are recorded as prepaid. Prepaid expenses consisted of the following:

Insurance	<u>\$94,392</u>
Total Prepaid Expenses	<u>\$94,392</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 - CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated				
Land	\$ 12,067,180	1,007,132	-	13,074,312
Construction in Progress	10,185,929	7,133,558	(6,672,767)	10,646,720
Total Capital Assets, Not Being Depreciated	<u>22,253,109</u>	<u>8,140,690</u>	<u>(6,672,767)</u>	<u>23,721,032</u>
Capital Assets, Being Depreciated				
Runways and Roads	51,432,772	6,342,221	-	57,774,993
Parking Lot	4,932,987	-	-	4,932,987
Terminal Building	14,283,823	11,359	-	14,295,182
Other Buildings	10,181,994	124,262	-	10,306,256
Equipment and Vehicles	8,167,116	91,046	-	8,258,162
Master Plans	497,475	115,237	-	612,712
Total Capital Assets, Being Depreciated	<u>89,496,167</u>	<u>6,684,125</u>	<u>0</u>	<u>96,180,292</u>
Accumulated Depreciation				
Runways and Roads	(34,361,747)	(1,623,919)	-	(35,985,666)
Parking Lot	(1,310,476)	(231,533)	-	(1,542,009)
Terminal Building	(7,441,455)	(455,822)	-	(7,897,277)
Other Buildings	(4,129,205)	(293,402)	-	(4,422,607)
Equipment and Vehicles	(6,315,175)	(432,486)	-	(6,747,661)
Master Plans	(436,765)	(16,202)	-	(452,967)
Total Accumulated Depreciation	<u>(53,994,823)</u>	<u>(3,053,364)</u>	<u>0</u>	<u>(57,048,187)</u>
Net Capital Assets, Being Depreciated	<u>35,501,344</u>	<u>3,630,761</u>	<u>0</u>	<u>39,132,105</u>
Net Capital Assets	<u>\$ 57,754,453</u>	<u>11,771,451</u>	<u>(6,672,767)</u>	<u>62,853,137</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - RESTRICTED ASSETS

The Commission established a self-insurance contingency fund during the year ended June 30, 1987. The plan required initial funding of \$500,000. During the year ended June 30, 1990, an additional \$200,000 was added. Funding for successive years is subject to majority vote of the Commission. Withdrawals from the fund will only be allowed by a two-thirds vote of the Commission. During the current fiscal year, withdrawals from the restricted funds were approved by the Commission for the purpose of securing the purchase of six lots in the Grande Harbor subdivision. The balance in the money market and certificates of deposit at June 30, 2010 is \$1,059,682.

Money received from the airlines for passenger facility charges is restricted for use on capital improvement projects approved by the Federal Aviation Administration or to repay debt associated with these projects.

A customer facility charge assessed on rental car contracts is restricted for use on capital improvement projects associated with the rental car enterprises.

Cash on deposit with other governmental entities is restricted for use on capital improvement projects.

NOTE 8 - VACATION AND SICK LEAVE

Employees earn 40 hours of vacation at the completion of six months of service; 80 additional hours after completion of one year; 120 hours after five years, 160 hours after 12 years; and 200 hours after 25 years of continuous employment. Vacation time is awarded on the anniversary date and must be used during the year or it is lost.

Employees earn one sick day per month to a maximum of 10 per year. An unlimited number of days may be accumulated toward retirement; however, no lump sum payment will be made by the Commission for accumulated sick days.

NOTE 9 - ACCRUED COMPENSATION

The Safety Department may accumulate additional leave for overtime hours worked in lieu of immediate payment. This amount is accrued at the present pay rate multiplied by those hours, which are adjusted to reflect time and a half.

NOTE 10 - LONG-TERM DEBT

Airport Revenue and Tax Refunding, Series 2003 Bonds

The \$5,540,000 Airport Revenue and Tax Refunding bonds, Series 2003 were issued August 1, 2003 by Sullivan County, Tennessee for the purpose of providing funds to refinance in advance of its maturity the Commission's outstanding Airport Revenue and Tax Bonds, Series 1995 dated July 1, 1995, maturing May 1, 2015.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding, Series 2003 Bonds (continued)

The bonds are payable primarily from and secured by a pledge and assignment of PFC and operating revenues from the Commission. The bonds will mature serially each May 1, beginning May 1, 2004 and ending May 1, 2015. Interest rates are scheduled and vary from 3.25% to 4.35%. Interest payments are due semi-annually on May 1st and November 1st, beginning November 1, 2003.

Airport Revenue and Tax, Series 2003 Bonds

On August 1, 2003, Sullivan County, Tennessee issued \$5,000,000 of Airport Revenue and Tax Bonds, Series 2003 for the purpose of providing funds to construct improvements to the Airport, consisting of, but not limited to the construction of additional parking facilities, construction of a rental car Ready/Return Area, construct a rental car service facility, and construction of a new cargo center in and for the Airport, and to pay the costs incident thereto and costs incident to the issuance, sale and delivery of the bonds.

The bonds are payable primarily from and secured by a pledge and assignment of CFC and operating revenues from the Commission. The Bonds will mature serially each May 1, beginning May 1, 2005 and ending May 1, 2023. Interest rates vary from 4.25% to 5.80%. Interest payments are due semi-annually on May 1 and November 1, beginning November 1, 2003.

Total Airport Revenue and Tax Refunding bonds debt service requirements to maturity are as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Annual Interest</u>	<u>Total Debt Service</u>
2011	\$ 720,000	325,425	1,045,425
2012	750,000	295,625	1,045,625
2013	785,000	263,488	1,048,488
2014	820,000	228,816	1,048,816
2015	845,000	191,777	1,036,777
2016-2020	1,520,000	604,920	2,124,920
2021-2023	<u>1,165,000</u>	<u>137,750</u>	<u>1,302,750</u>
	<u>\$ 6,605,000</u>	<u>2,047,801</u>	<u>8,652,801</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Airport Revenue and Tax Refunding bonds issued August 1, 2003 debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2011	\$ 505,000	113,055	618,055
2012	525,000	93,360	618,360
2013	550,000	72,360	622,360
2014	570,000	49,673	619,673
2015	585,000	25,447	610,447
	<u>\$ 2,735,000</u>	<u>353,895</u>	<u>3,088,895</u>

Airport Revenue and Tax bonds issued August 1, 2003 debt service requirements to maturity are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total Debt Service
2011	\$ 215,000	212,370	427,370
2012	225,000	202,265	427,265
2013	235,000	191,128	426,128
2014	250,000	179,143	429,143
2015	260,000	166,330	426,330
2016-2020	1,520,000	604,920	2,124,920
2021-2023	1,165,000	137,750	1,302,750
	<u>\$ 3,870,000</u>	<u>1,693,906</u>	<u>5,563,906</u>

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 10 - LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue Bonds Payable	\$ 7,300,000	-	(695,000)	6,605,000	720,000
Compensated Absences	<u>141,616</u>	<u>134,259</u>	<u>(88,345)</u>	<u>187,530</u>	<u>187,530</u>
Total Long-Term Liabilities	<u>\$ 7,441,616</u>	<u>134,259</u>	<u>(783,345)</u>	<u>6,792,530</u>	<u>907,530</u>

NOTE 11 - PENSION PLAN

PLAN DESCRIPTION

Employees of the Commission are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Commission participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://treasury.state.tn.us/tcrs/PS/>.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 - PENSION PLAN (CONTINUED)

FUNDING POLICY

The Commission has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

The Commission is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2010 was 18.31% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Commission is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2010, the Commission's annual pension cost of \$372,940 to TCRS was equal to the Commission's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period.

The Commission's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2010	\$372,940	100.00%	\$0.00
June 30, 2009	\$370,106	100.00%	\$0.00
June 30, 2008	\$303,932	100.00%	\$0.00

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 11 - PENSION PLAN (CONTINUED)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2009, the most recent actuarial valuation date, the plan was 75.64% percent funded. The actuarial accrued liability for benefits was \$7.00 million, and the actuarial value of assets was \$5.30 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.71 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.04 million, and the ratio of the UAAL to the covered payroll was 83.54% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar Amounts in Thousands)

	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
		(AAL)				
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	(UAAL) Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/09	\$ 5,296	\$ 7,001	\$ 1,705	75.64%	\$ 2,041	83.54%
07/01/07	\$ 5,043	\$ 6,671	\$ 1,628	75.60%	\$ 1,904	85.45%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 12 - RISK MANAGEMENT ACTIVITIES

The Commission carries insurance coverage through ACE and Cincinnati Insurance Company for general liability, commercial property, business automobile liability, and business interruption/loss of income. Workers compensation insurance is provided through USAIG. Additional coverage for public officials is provided by AIG.

The Commission has an investment account restricted as a self-insurance contingency fund to cover any claims not covered by insurance. There have been no claims paid from this fund over the past seven years (See Note 7). In addition, the Commission provides medical insurance through United. No portion of health insurance is self-funded. No settlements exceeded insurance coverage for each of the past five fiscal years.

NOTE 13 - LITIGATION

The Commission is involved in various legal proceedings arising in the normal course of business. To the extent the outcome of such litigation has been determined to result in probable loss to the Commission; such loss for which the Commission is responsible for funding has been accrued in the accompanying financial statements. Litigation where loss to the Commission is reasonably possible has not been accrued; however, the Commission and Attorney for the Commission have identified a single event which is both probable and estimateable. The Commission's legal Counsel estimates such loss to total \$75,000.

The Commission holds a private insurance policy which has an aggregate deductible of \$25,000; therefore, the Commission has accrued \$25,000 that is the maximum liability to the Commission.

The Commission and Attorney for the Commission believes that, with the exception in the above paragraph, the various asserted claims and litigation will not materially affect its financial position, although no assurance can be given with respect to the ultimate outcome of any such claims or litigation.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 14 - DISADVANTAGED - OWNED BUSINESS EXPENSES

The Commission's disadvantaged-owned business goals were as follows:

<u>Project</u>	<u>Goal</u>	<u>Actual</u>
AIP-3-47-004-48	5.20%	7.01%
AIP-3-47-004-50	5.30%	2.42%
AIP-3-47-004-51	5.30%	0.10%
AIP-3-47-004-52	5.30%	5.74%
AIP-3-47-004-53	5.30%	Not Completed
AIP-3-47-004-54	5.30%	Not Completed
AIP-3-47-004-55	4.30%	Not Completed

NOTE 15 - ECONOMIC DEPENDENCY

The Commission obtains substantially all of its funding for capital projects and improvements from grants provided by the Federal Aviation Administration and State of Tennessee Department of Transportation Aeronautics Division.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

The Commission has entered into approximately \$1,013,000 of construction contract commitments that had begun and were in-process at year-end 2010. These construction contract commitments will be paid primarily with capital grants.

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Required Supplemental Schedule



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TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FUNDING PROGRESS
For the Year Ended June 30, 2010

(Dollar Amounts in Thousands)						
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
		(AAL)				
Actuarial	Actuarial	Actuarial	(UAAL)			UAAL as a %
Valuation	Value of	Accrued	Unfunded	Funded	Covered	of Covered
Date	Assets	Liability	AAL	Ratio	Payroll	Payroll
07/01/09	\$ 5,296	\$ 7,001	\$ 1,705	75.64%	\$ 2,041	83.54%
07/01/07	\$ 5,043	\$ 6,671	\$ 1,628	75.60%	\$ 1,904	85.45%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into effect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

See Independent Auditors' Report.

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Supplemental Schedules



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TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

CFDA Number	Grantor Agency	Grant Number	Program Description	Balance July 1, 2009	Cash Receipts	Expenditures ¹	Adjustments ³	Balance June 30, 2010 ²
20.106	Federal Aviation Administration	AIP 3-47-0004-48	South Aviation Development Area	\$ 173,549	180,095	6,546	-	-
		AIP 3-47-0004-49	Land Acquisition, Road Relocation and Pavement Friction Testing	15,777	15,770	-	(7)	-
		AIP 3-47-0004-50	Terminal Ramp Reconstruction	390,267	544,956	325,213	-	170,524
		AIP 3-47-0004-51	Land, Airfield Marking and Rubber Removal	39,590	397,881	358,291	-	-
		AIP 3-47-0004-52	Perimeter Security Fence	326,879	534,518	235,655	-	28,016
		AIP 3-47-0004-53	Terminal Ramp Reconstruction - Phase II	80,250	1,137,914	1,057,961	-	297
		AIP 3-47-0004-54	Terminal Ramp Reconstruction - Phase III, and Security Fence - Phase II and Friction Decelerometer	123,813	2,053,071	2,639,285	-	710,027
		AIP 3-47-0004-55	Runway Rehabilitation and Road Relocation Design	10,603	131,446	186,787	-	65,944
		AIP 3-47-0004-59	Land Acquisition: Mapleview Farms	-	358,058	360,863	-	2,805
				<u>\$ 1,160,728</u>	<u>5,353,709</u>	<u>5,170,601</u>	<u>(7)</u>	<u>977,613</u>

¹ This Schedule reflects the federal grantor's share of the expenditures.

² These balances represent amounts due from the grantor.

³ These balances represent an amendment or prior year expenditures.

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Tri-Cities Airport Commission and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-48
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Administration	\$ 1,316	20,322	30,000	9,678	-
Inspection	-	32,001	41,500	9,499	-
South Aviation Development					
Area - Access Road	26,356	906,140	861,322	(44,818)	-
Environmental Assessment	-	17,470	17,000	(470)	-
Engineering	10,701	83,572	78,200	(5,372)	-
	<u>\$ 38,373</u>	<u>1,059,505</u>	<u>1,028,022</u>	<u>(31,483)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 6,546	976,621	976,621	-	-
State Grant (2.5%)	172	25,701	25,701	-	-
Tri-Cities Airport Commission	31,655	57,183	25,700	(31,483)	-
	<u>\$ 38,373</u>	<u>1,059,505</u>	<u>1,028,022</u>	<u>(31,483)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-49
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land	\$ -	175,592	189,531	13,939	-
Road Relocation	34	90,868	91,316	448	-
Pavement Friction Testing	-	16,199	15,745	(454)	-
	<u>\$ 34</u>	<u>282,659</u>	<u>296,592</u>	<u>13,933</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ -	268,495	281,762	13,267	-
State Grant (2.5%)	350	7,415	7,415	-	-
Tri-Cities Airport Commission	(316)	6,749	7,415	666	-
	<u>\$ 34</u>	<u>282,659</u>	<u>296,592</u>	<u>13,933</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-50
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction	\$ 337,125	2,882,215	2,878,440	(3,775)	-
	<u>\$ 337,125</u>	<u>2,882,215</u>	<u>2,878,440</u>	<u>(3,775)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 325,213	2,743,048	2,743,048	-	-
State Grant (2.5%)	4,070	67,698	67,696	(2)	-
Tri-Cities Airport Commission	<u>7,842</u>	<u>71,469</u>	<u>67,696</u>	<u>(3,773)</u>	<u>-</u>
	<u>\$ 337,125</u>	<u>2,882,215</u>	<u>2,878,440</u>	<u>(3,775)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-51
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition RW 23 Approach	\$ 407,922	434,332	404,000	(30,332)	-
Runway Rubber Removal and Airfield Pavement Markings	-	372,442	372,000	(442)	-
Runway 5/23 Rubber Removal Costs	-	36,960	36,960	-	-
	<u>\$ 407,922</u>	<u>843,734</u>	<u>812,960</u>	<u>(30,774)</u>	<u>0</u>
<u>Share of Cost (Share of Rubber Removal and Markings)</u>					
Federal Grant (95%)	\$ 358,291	737,200	737,200	-	-
State Grant (2.5%)	9,429	19,400	19,400	-	-
Tri-Cities Airport Commission	40,202	50,174	19,400	(30,774)	-
	<u>407,922</u>	<u>806,774</u>	<u>776,000</u>	<u>(30,774)</u>	<u>0</u>
<u>Share of Cost (Runway 5/23 Rubber Removal)</u>					
State Grant (90%)	-	33,264	33,264	-	-
Tri-Cities Airport Commission	-	3,696	3,696	-	-
	<u>0</u>	<u>36,960</u>	<u>36,960</u>	<u>0</u>	<u>0</u>
	<u>\$ 407,922</u>	<u>843,734</u>	<u>812,960</u>	<u>(30,774)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-52
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Perimeter Security Fence	\$ 248,188	1,240,159	1,240,028	(131)	-
	<u>\$ 248,188</u>	<u>1,240,159</u>	<u>1,240,028</u>	<u>(131)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 235,655	1,178,027	1,178,027	-	-
State Grant (2.5%)	6,200	31,000	31,000	-	-
Tri-Cities Airport Commission	<u>6,333</u>	<u>31,132</u>	<u>31,001</u>	<u>(131)</u>	<u>-</u>
	<u>\$ 248,188</u>	<u>1,240,159</u>	<u>1,240,028</u>	<u>(131)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-53
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 1,113,643	1,253,999	1,353,960	99,961	-
	<u>\$ 1,113,643</u>	<u>1,253,999</u>	<u>1,353,960</u>	<u>99,961</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,057,961	1,191,299	1,286,262	94,963	-
State Grant (2.5%)	27,841	31,350	33,849	2,499	-
Tri-Cities Airport Commission	<u>27,841</u>	<u>31,350</u>	<u>33,849</u>	<u>2,499</u>	<u>-</u>
	<u>\$ 1,113,643</u>	<u>1,253,999</u>	<u>1,353,960</u>	<u>99,961</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-54
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction - Phase III	\$ 1,829,185	1,918,854	2,105,264	186,410	-
Security Fence Rehab - Phase II	949,010	985,003	1,061,406	76,403	-
Friction Decelerometer	-	4,668	4,650	(18)	-
	<u>\$ 2,778,195</u>	<u>2,908,525</u>	<u>3,171,320</u>	<u>262,795</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 2,639,285	2,763,099	3,012,754	249,655	-
State Grant (2.5%)	69,455	72,713	79,283	6,570	-
Tri-Cities Airport Commission	69,455	72,713	79,283	6,570	-
	<u>\$ 2,778,195</u>	<u>2,908,525</u>	<u>3,171,320</u>	<u>262,795</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-55
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23Rehabilitation - Design	\$ 121,493	124,914	365,300	240,386	-
Road Relocation - Design	75,126	82,866	579,937	497,071	-
	<u>\$ 196,619</u>	<u>207,780</u>	<u>945,237</u>	<u>737,457</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 186,787	197,390	897,975	700,585	-
State Grant (2.5%)	4,916	5,195	23,631	18,436	-
Tri-Cities Airport Commission	4,916	5,195	23,631	18,436	-
	<u>\$ 196,619</u>	<u>207,780</u>	<u>945,237</u>	<u>737,457</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
FEDERAL GRANT AIP #3-47-0004-59
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition - Mapleview Farms	\$ 379,856	379,856	388,000	8,144	-
	<u>\$ 379,856</u>	<u>379,856</u>	<u>388,000</u>	<u>8,144</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 360,863	360,863	368,600	7,737	-
State Grant (2.5%)	9,496	9,496	9,700	204	-
Tri-Cities Airport Commission	<u>9,497</u>	<u>9,497</u>	<u>9,700</u>	<u>203</u>	<u>-</u>
	<u>\$ 379,856</u>	<u>379,856</u>	<u>388,000</u>	<u>8,144</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2010

CFDA Number	Grantor Agency	Grant Number	Program Description	Balance July 1, 2009	Cash Receipts	Expenditures ¹	Adjustments ³	Balance June 30, 2010 ²
N/A	TN Dept. of Transportation	82-555-0198-04	Terminal Ramp Reconstruction - Phase I (AIP 46)	\$ 7,775	-	-	(7,775)	-
		82-555-0799-04	Terminal Sound System Improvements	22,857	223,327	260,292	-	59,822
		82-555-1001-04	Demolish of Rental Car Facility	374	32	-	(342)	-
		82-555-1002-04	South Aviation Development (AIP 48)	10,340	10,512	172	-	-
		82-555-1003-04	South Aviation Development	226,260	281,278	72,568	-	17,550
		82-555-1004-04	Terminal Building Exit System Upgrade	1,930	720	65,376	-	66,586
		82-555-1008-04	Aerial Topography and Ground Control Map	231	10,929	10,933	(235)	-
		82-555-1009-04	Terminal Ramp Reconstruction (AIP 50)	33,431	30,627	4,070	-	6,874
		82-555-1011-04	Perimeter Security Fence (AIP 52)	24,799	28,873	6,200	-	2,126
		82-555-1012-04	Land Acquisition, Road Relocation and Pavement Friction Testing (AIP 49)	68	418	350	-	-
		82-555-1013-04	Professional Services	12,449	14,698	4,500	-	2,251
		82-555-1014-04	East GA Hangar Roof Replacement	5,883	102,302	105,834	-	9,415
		82-555-1015-04	Rubber Removal, Payment Markings, and Land (AIP 51)	43,235	52,664	9,429	-	-
		82-555-1016-04	Terminal Ramp Reconstruction Phase II (AIP 53)	3,509	-	27,842	-	31,351
		82-555-1017-04	Runway 5/23 Rehabilitation and Road Relocation (AIP 55)	86	-	1,986	-	2,072
		Applied For	Runway 5/23 Rehabilitation and Road Relocation (AIP 55)	193	-	2,930	-	3,123
		82-555-1019-04	Glycol and Fuel Farm	24,208	114,674	103,469	-	13,003
		82-555-1020-04	Terminal Building Phase II	25,552	514,985	563,121	-	73,688
		82-555-1021-04	Terminal Ramp Phase II, Security Fence Phase II and Friction Decelerometer (AIP 54)	3,258	50,856	69,455	-	21,857
		82-555-1022-04	Aviation Drive Relocation	239	-	36,114	-	36,353
		82-555-1024-04	South Aviation Dev. Manager	-	48,235	117,607	-	69,372
		82-555-1026-04	Wildlife Management Assessment	-	-	506	-	506
		82-555-1027-04	Security and Maintenance Vehicles	-	58,326	81,942	-	23,616
		82-555-1702-04	North Ramp Plane Port	-	-	18,936	-	18,936
		82-555-1703-04	G.A. Terminal Rehab	-	-	38,644	-	38,644
		Applied For	Land Acquisition - Mapleview Farms (AIP 59)	-	-	9,496	-	9,496
				<u>\$ 446,677</u>	<u>1,543,456</u>	<u>1,611,772</u>	<u>(8,352)</u>	<u>506,641</u>

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TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-0799-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Sound System Improvements	\$ 289,213	378,468	405,000	26,532	-
	<u>\$ 289,213</u>	<u>378,468</u>	<u>405,000</u>	<u>26,532</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 260,292	340,622	364,500	23,878	-
Tri-Cities Airport Commission	<u>28,921</u>	<u>37,846</u>	<u>40,500</u>	<u>2,654</u>	<u>-</u>
	<u>\$ 289,213</u>	<u>378,468</u>	<u>405,000</u>	<u>26,532</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1002-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Administration	\$ 1,316	20,322	30,000	9,678	-
Inspection	-	32,001	41,500	9,499	-
South Aviation Development					
Area - Access Road	26,356	906,140	861,322	(44,818)	-
Environmental Assessment	-	17,470	17,000	(470)	-
Engineering	10,701	83,572	78,200	(5,372)	-
	<u>\$ 38,373</u>	<u>1,059,505</u>	<u>1,028,022</u>	<u>(31,483)</u>	<u>0</u>
 <u>Share of Cost</u>					
Federal Grant (95%)	\$ 6,546	976,621	976,621	-	-
State Grant (2.5%)	172	25,701	25,701	-	-
Tri-Cities Airport Commission	31,655	57,183	25,700	(31,483)	-
	<u>\$ 38,373</u>	<u>1,059,505</u>	<u>1,028,022</u>	<u>(31,483)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1003-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
South Aviation Development	\$ 80,631	1,619,967	1,891,406	271,439	-
	<u>\$ 80,631</u>	<u>1,619,967</u>	<u>1,891,406</u>	<u>271,439</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 72,568	1,457,970	1,702,266	244,296	-
Tri-Cities Airport Commission	<u>8,063</u>	<u>161,997</u>	<u>189,140</u>	<u>27,143</u>	<u>-</u>
	<u>\$ 80,631</u>	<u>1,619,967</u>	<u>1,891,406</u>	<u>271,439</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1004-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building Exit System Upgrade	\$ 74,862	803,841	850,000	46,159	-
	<u>\$ 74,862</u>	<u>803,841</u>	<u>850,000</u>	<u>46,159</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 65,376	721,457	765,000	43,543	-
Tri-Cities Airport Commission	<u>9,486</u>	<u>82,384</u>	<u>85,000</u>	<u>2,616</u>	<u>-</u>
	<u>\$ 74,862</u>	<u>803,841</u>	<u>850,000</u>	<u>46,159</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1008-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Aerial Topography and Ground Control Map	\$ 12,148	75,110	76,300	1,190	-
	<u>\$ 12,148</u>	<u>75,110</u>	<u>76,300</u>	<u>1,190</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 10,933	67,599	68,670	1,071	-
Tri-Cities Airport Commission	<u>1,215</u>	<u>7,511</u>	<u>7,630</u>	<u>119</u>	<u>-</u>
	<u>\$ 12,148</u>	<u>75,110</u>	<u>76,300</u>	<u>1,190</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1009-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction	\$ 337,125	2,882,215	2,878,440	(3,775)	-
	<u>\$ 337,125</u>	<u>2,882,215</u>	<u>2,878,440</u>	<u>(3,775)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 325,213	2,743,048	2,743,048	-	-
State Grant (2.5%)	4,070	67,698	67,696	(2)	-
Tri-Cities Airport Commission	<u>7,842</u>	<u>71,469</u>	<u>67,696</u>	<u>(3,773)</u>	<u>-</u>
	<u>\$ 337,125</u>	<u>2,882,215</u>	<u>2,878,440</u>	<u>(3,775)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1011-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Perimeter Security Fence	\$ 248,188	1,240,159	1,240,028	(131)	-
	<u>\$ 248,188</u>	<u>1,240,159</u>	<u>1,240,028</u>	<u>(131)</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 235,655	1,178,027	1,178,027	-	-
State Grant (2.5%)	6,200	31,000	31,000	-	-
Tri-Cities Airport Commission	<u>6,333</u>	<u>31,132</u>	<u>31,001</u>	<u>(131)</u>	<u>-</u>
	<u>\$ 248,188</u>	<u>1,240,159</u>	<u>1,240,028</u>	<u>(131)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1012-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land	\$ -	175,592	189,531	13,939	-
Road Relocation	34	90,868	91,316	448	-
Pavement Friction Testing	-	16,199	15,745	(454)	-
	<u>\$ 34</u>	<u>282,659</u>	<u>296,592</u>	<u>13,933</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ -	268,495	281,762	13,267	-
State Grant (2.5%)	350	7,415	7,415	-	-
Tri-Cities Airport Commission	(316)	6,749	7,415	666	-
	<u>\$ 34</u>	<u>282,659</u>	<u>296,592</u>	<u>13,933</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1013-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Professional Services	\$ 5,000	18,832	95,000	76,168	-
	<u>\$ 5,000</u>	<u>18,832</u>	<u>95,000</u>	<u>76,168</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 4,500	16,949	85,500	68,551	-
Tri-Cities Airport Commission	<u>500</u>	<u>1,883</u>	<u>9,500</u>	<u>7,617</u>	<u>-</u>
	<u>\$ 5,000</u>	<u>18,832</u>	<u>95,000</u>	<u>76,168</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1014-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
East GA Hanger Replacement	\$ 117,641	124,178	124,610	432	-
	<u>\$ 117,641</u>	<u>124,178</u>	<u>124,610</u>	<u>432</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 105,834	111,717	112,149	432	-
Tri-Cities Airport Commission	<u>11,807</u>	<u>12,461</u>	<u>12,461</u>	<u>-</u>	<u>-</u>
	<u>\$ 117,641</u>	<u>124,178</u>	<u>124,610</u>	<u>432</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1015-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition RW 23 Approach	\$ 407,922	434,332	404,000	(30,332)	-
Runway Rubber Removal and Airfield Pavement Markings	-	372,442	372,000	(442)	-
Runway 5/23 Rubber Removal Costs	-	36,960	36,960	-	-
	<u>\$ 407,922</u>	<u>843,734</u>	<u>812,960</u>	<u>(30,774)</u>	<u>0</u>
<u>Share of Cost (Share of Rubber Removal and Markings)</u>					
Federal Grant (95%)	\$ 358,291	737,200	737,200	-	-
State Grant (2.5%)	9,429	19,400	19,400	-	-
Tri-Cities Airport Commission	40,202	50,174	19,400	(30,774)	-
	<u>407,922</u>	<u>806,774</u>	<u>776,000</u>	<u>(30,774)</u>	<u>0</u>
<u>Share of Cost (Runway 5/23 Ribber Removal)</u>					
State Grant (90%)	-	33,264	33,264	-	-
Tri-Cities Airport Commission	-	3,696	3,696	-	-
	<u>-</u>	<u>36,960</u>	<u>36,960</u>	<u>0</u>	<u>0</u>
	<u>\$ 407,922</u>	<u>843,734</u>	<u>812,960</u>	<u>(30,774)</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1016-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction Phase II	\$ 1,113,643	1,253,999	1,353,960	99,961	-
	<u>\$ 1,113,643</u>	<u>1,253,999</u>	<u>1,353,960</u>	<u>99,961</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 1,057,961	1,191,299	1,286,262	94,963	-
State Grant (2.5%)	27,842	31,350	33,849	2,499	-
Tri-Cities Airport Commission	<u>27,840</u>	<u>31,350</u>	<u>33,849</u>	<u>2,499</u>	<u>-</u>
	<u>\$ 1,113,643</u>	<u>1,253,999</u>	<u>1,353,960</u>	<u>99,961</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1017-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Road Relocation - Design	79,445	82,866	579,937	497,071	-
	<u>\$ 79,445</u>	<u>82,866</u>	<u>579,937</u>	<u>497,071</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 75,473	78,722	550,941	472,219	-
State Grant (2.5%)	1,986	2,072	14,498	12,426	-
Tri-Cities Airport Commission	1,986	2,072	14,498	12,426	-
	<u>\$ 79,445</u>	<u>82,866</u>	<u>579,937</u>	<u>497,071</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT APPLIED FOR
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Runway 5/23 Rehab - Design	117,174	124,914	365,300	240,386	-
	<u>\$ 117,174</u>	<u>124,914</u>	<u>365,300</u>	<u>240,386</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 111,314	118,668	347,035	228,367	-
State Grant (2.5%)	2,930	3,123	9,132	6,009	-
Tri-Cities Airport Commission	2,930	3,123	9,133	6,010	-
	<u>\$ 117,174</u>	<u>124,914</u>	<u>365,300</u>	<u>240,386</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1019-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Glycol and Fuel Farm	\$ 114,966	141,864	205,000	63,136	-
	<u>\$ 114,966</u>	<u>141,864</u>	<u>205,000</u>	<u>63,136</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 103,469	127,678	184,500	56,822	-
Tri-Cities Airport Commission	<u>11,497</u>	<u>14,186</u>	<u>20,500</u>	<u>6,314</u>	<u>-</u>
	<u>\$ 114,966</u>	<u>141,864</u>	<u>205,000</u>	<u>63,136</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1020-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Building - Phase II	\$ 632,048	717,661	840,627	122,966	-
	<u>\$ 632,048</u>	<u>717,661</u>	<u>840,627</u>	<u>122,966</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 563,121	645,895	756,564	110,669	-
Tri-Cities Airport Commission	<u>68,927</u>	<u>71,766</u>	<u>84,063</u>	<u>12,297</u>	<u>-</u>
	<u>\$ 632,048</u>	<u>717,661</u>	<u>840,627</u>	<u>122,966</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1021-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Terminal Ramp Reconstruction-Phase III	\$ 1,829,185	1,918,854	2,105,264	186,410	-
Security Fence Rehab-Phase II	949,010	985,003	1,061,406	76,403	-
Friction Decelerometer	-	4,668	4,650	(18)	-
	<u>\$ 2,778,195</u>	<u>2,908,525</u>	<u>3,171,320</u>	<u>262,795</u>	<u>0</u>
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 2,639,285	2,763,099	3,012,754	249,655	-
State Grant (2.5%)	69,455	72,713	79,283	6,570	-
Tri-Cities Airport Commission	69,455	72,713	79,283	6,570	-
	<u>\$ 2,778,195</u>	<u>2,908,525</u>	<u>3,171,320</u>	<u>262,795</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1022-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Aviation Drive Relocation	\$ 40,127	40,127	47,300	7,173	-
	<u>\$ 40,127</u>	<u>40,127</u>	<u>47,300</u>	<u>7,173</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 36,114	36,114	42,570	6,456	-
Tri-Cities Airport Commission	<u>4,013</u>	<u>4,013</u>	<u>4,730</u>	<u>717</u>	<u>-</u>
	<u>\$ 40,127</u>	<u>40,127</u>	<u>47,300</u>	<u>7,173</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1024-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
S. Aviation Dev. Hangar - Design	\$ 130,674	130,674	257,160	126,486	-
S. Aviation Dev. Hangar - Construction	-	-	1,926,508	1,926,508	-
	<u>\$ 130,674</u>	<u>130,674</u>	<u>2,183,668</u>	<u>2,052,994</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 117,607	117,607	1,965,302	1,847,695	-
Tri-Cities Airport Commission	13,067	13,067	218,366	205,299	-
	<u>\$ 130,674</u>	<u>130,674</u>	<u>2,183,668</u>	<u>2,052,994</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
 TENNESSEE GRANT 82-555-1026-04
 COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
 Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Wildlife Hazard Assessment	\$ 562	562	40,000	39,438	-
	<u>\$ 562</u>	<u>562</u>	<u>40,000</u>	<u>39,438</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	506	506	36,000	35,494	-
Tri-Cities Airport Commission	<u>56</u>	<u>56</u>	<u>4,000</u>	<u>3,944</u>	<u>-</u>
	<u>\$ 562</u>	<u>562</u>	<u>40,000</u>	<u>39,438</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-55-1027-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Security and Maintenance Vehicles	\$ 91,046	91,046	96,000	4,954	-
	<u>\$ 91,046</u>	<u>91,046</u>	<u>96,000</u>	<u>4,954</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	\$ 81,942	81,942	86,400	4,458	-
Tri-Cities Airport Commission	<u>9,104</u>	<u>9,104</u>	<u>9,600</u>	<u>496</u>	<u>-</u>
	<u>\$ 91,046</u>	<u>91,046</u>	<u>96,000</u>	<u>4,954</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1702-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
North Ramp Plane Port- Design	\$ 21,040	21,040	40,000	18,960	
North Ramp Plane Port- Construction	-	-	180,000	180,000	-
	<u>\$ 21,040</u>	<u>21,040</u>	<u>220,000</u>	<u>198,960</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	18,936	18,936	198,000	179,064	-
Tri-Cities Airport Commission	2,104	2,104	22,000	19,896	-
	<u>\$ 21,040</u>	<u>21,040</u>	<u>220,000</u>	<u>198,960</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT 82-555-1703-04
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
GA Terminal Rehab - Designs	\$ 42,938	42,938	102,000	59,062	
GA Terminal Rehab - Construction	-	-	425,000	425,000	-
	<u>\$ 42,938</u>	<u>42,938</u>	<u>527,000</u>	<u>484,062</u>	<u>0</u>
<u>Share of Cost</u>					
State Grant (90%)	38,644	38,644	474,300	435,656	-
Tri-Cities Airport Commission	<u>4,294</u>	<u>4,294</u>	<u>52,700</u>	<u>48,406</u>	<u>-</u>
	<u>\$ 42,938</u>	<u>42,938</u>	<u>527,000</u>	<u>484,062</u>	<u>0</u>

See Independent Auditors' Report.

TRI-CITIES AIRPORT COMMISSION
TENNESSEE GRANT APPLIED FOR
COMPARISON OF ACTUAL EXPENDITURES TO BUDGET
Cumulative for the Grant to June 30, 2010

<u>Project Description</u>	<u>Current Year Expenditures</u>	<u>Cumulative Expenditures</u>	<u>Budget</u>	<u>Expenditures (Over) Under Budget</u>	<u>Questioned Costs</u>
Land Acquisition:	\$ 379,856	379,856	388,000	8,144	-
Meadow Farms	\$ 379,856	379,856	388,000	8,144	0
<u>Share of Cost</u>					
Federal Grant (95%)	\$ 360,863	360,863	368,600	7,737	-
State Grant (2.5%)	9,496	9,496	9,700	204	-
Tri-Cities Airport Commission	9,497	9,497	9,700	203	-
	\$ 379,856	379,856	388,000	8,144	0

See Independent Auditors' Report.

Statistical

- Unaudited financial and demographic information



TRI-CITIES REGIONAL AIRPORT
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STATISTICAL SECTION

The statistical section of the Comprehensive Annual Financial Report provides detailed information to enhance the understanding of the financial condition of the Tri-Cities Airport Commission. The statistical section is from the Airport Commission's fiscal year 2010 Comprehensive Annual Financial Report.

CONTENTS

Financial Trends

These schedules contain trend information to help the reader understand how the Airport's financial performance and condition have changed over time.

Revenue Capacity

These schedules contain information to help the reader understand the make-up of the Airport's revenue sources. The Airport Commission presents landed weights, square footage, public safety reimbursement and other airline related revenues along with parking rates to illustrate their primary revenue sources.

Debt Capacity

These schedules present information on the Airport's ability to meet their current debt service. The Airport Commission did not have any debt prior to 1998. A schedule is included for Passenger Facility Charges and Customer Facility Charges as these two restricted revenue sources are the primary source for debt service.

Demographic and Economic Information

These schedules offer demographic and economic indicators to show the environment within the surrounding area of the Airport.

Operating Information

These schedules contain service and infrastructure data to assist the reader in understanding how the Airport operates. The schedules presented include operating results, employees, capital assets, and source of funding for capital assets.

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Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 1:
Net Assets and Changes in Net Assets
Last Ten Fiscal Years (unaudited)

	<u>FY 2010</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2007</u>	<u>FY 2006</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>
OPERATING REVENUES	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452	\$ 4,030,692
OPERATING EXPENSES	<u>5,101,080</u>	<u>5,431,972</u>	<u>5,415,059</u>	<u>5,415,312</u>	<u>5,484,486</u>	<u>5,333,989</u>	<u>4,902,809</u>	<u>4,784,038</u>	<u>4,294,485</u>	<u>3,660,860</u>
OPERATING INCOME BEFORE DEPRECIATION & AMORTIZATION	\$ 592,480	\$ 386,472	\$ 702,272	\$ 525,620	\$ 501,014	\$ 406,443	\$ 426,719	\$ 448,045	\$ 409,967	\$ 369,832
LESS: DEPRECIATION	3,053,364	2,855,601	2,889,942	2,730,172	2,381,018	2,282,141	2,372,815	2,137,476	1,815,182	1,799,241
AMORTIZATION	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>13,501</u>	<u>109,760</u>	<u>6,478</u>	<u>6,478</u>	<u>6,478</u>
OPERATING LOSS	\$ (2,474,385)	\$ (2,482,630)	\$ (2,201,171)	\$ (2,218,053)	\$ (1,893,505)	\$ (1,889,199)	\$ (2,055,856)	\$ (1,695,909)	\$ (1,411,693)	\$ (1,435,887)
OTHER NON-OPERATING REVENUES (EXPENSES)	<u>809,692</u>	<u>781,318</u>	<u>878,429</u>	<u>557,579</u>	<u>619,715</u>	<u>482,993</u>	<u>103,322</u>	<u>287,541</u>	<u>313,171</u>	<u>555,221</u>
LOSS BEFORE CAPITAL CONTRIBUIONS	\$ (1,664,693)	\$ (1,701,312)	\$ (1,322,742)	\$ (1,660,474)	\$ (1,273,790)	\$ (1,406,206)	\$ (1,952,534)	\$ (1,408,368)	\$ (1,098,522)	\$ (880,666)
CAPITAL CONTRIBUTIONS	<u>6,774,016</u>	<u>7,485,388</u>	<u>4,330,262</u>	<u>3,067,094</u>	<u>7,646,827</u>	<u>2,672,004</u>	<u>3,399,266</u>	<u>2,174,875</u>	<u>6,188,177</u>	<u>4,325,737</u>
CHANGE IN NET ASSETS	<u>\$ 5,109,323</u>	<u>\$ 5,784,076</u>	<u>\$ 3,007,520</u>	<u>\$ 1,406,620</u>	<u>\$ 6,373,037</u>	<u>\$ 1,265,798</u>	<u>\$ 1,446,732</u>	<u>\$ 766,507</u>	<u>\$ 5,089,655</u>	<u>\$ 3,445,071</u>
NET ASSETS AT YEAR-END										
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	\$ 56,595,863	\$ 50,301,978	\$ 45,438,936	\$ 43,473,265	\$ 40,568,936	\$ 35,041,899	\$ 33,646,213	\$ 33,054,563	\$ 31,108,110	\$ 26,813,265
RESTRICTED - TENANT					-	-	1,654	1,654	5,900	-
RESTRICTED - PASSENGER FACILITY CHARGE	754,568	806,920	566,711	362,968	423,709	438,035	411,092	489,956	689,745	-
UNRESTRICTED	<u>3,708,306</u>	<u>4,840,516</u>	<u>4,159,691</u>	<u>3,321,585</u>	<u>4,758,553</u>	<u>3,898,227</u>	<u>4,053,404</u>	<u>3,119,458</u>	<u>4,095,369</u>	<u>3,996,204</u>
TOTAL NET ASSETS	<u>\$ 61,058,737</u>	<u>\$ 55,949,414</u>	<u>\$ 50,165,338</u>	<u>\$ 47,157,818</u>	<u>\$ 45,751,198</u>	<u>\$ 39,378,161</u>	<u>\$ 38,112,363</u>	<u>\$ 36,665,631</u>	<u>\$ 35,899,124</u>	<u>\$ 30,809,469</u>

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 2:
Changes in Cash and Cash Equivalents
Last Ten Fiscal Years (unaudited)

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Cash Flows From Operating Activities										
Cash received from customers	\$ 5,702,985	\$ 5,796,913	\$ 6,140,734	\$ 5,883,726	\$ 6,043,541	\$ 5,667,282	\$ 5,363,959	\$ 5,090,111	\$ 4,447,917	\$ 3,955,584
Cash payments to suppliers	(1,163,492)	(1,952,309)	(1,563,139)	(2,119,801)	(2,276,146)	(2,121,032)	(2,031,536)	(2,201,758)	(2,062,557)	(1,976,476)
Cash payments to employees	(2,411,072)	(2,345,715)	(2,260,532)	(1,998,860)	(2,108,696)	(2,035,227)	(1,975,357)	(1,694,896)	(1,670,691)	(1,546,054)
Cash paid out for employee benefits	(1,055,427)	(1,053,814)	(1,064,303)	(970,908)	(843,857)	(810,844)	(656,545)	(556,251)	(432,532)	(404,486)
Cash payments for insurance	<u>(249,790)</u>	<u>(222,280)</u>	<u>(249,566)</u>	<u>(293,462)</u>	<u>(248,434)</u>	<u>(275,004)</u>	<u>(264,252)</u>	<u>(279,725)</u>	<u>(172,246)</u>	<u>(95,766)</u>
Net Cash Provided (Used) by Operating Activities	<u>823,204</u>	<u>222,795</u>	<u>1,003,194</u>	<u>500,695</u>	<u>566,408</u>	<u>425,175</u>	<u>436,269</u>	<u>357,481</u>	<u>109,891</u>	<u>(67,198)</u>
Cash Flows From Capital and Related Financing Activities										
Acquisition and Construction of Capital Assets	(8,648,385)	(7,419,623)	(4,216,586)	(4,982,119)	(9,388,510)	(5,108,733)	(4,120,037)	(3,755,016)	(5,765,304)	(7,106,134)
Proceeds from sale of property	-	-	-	-	-	-	-	-	-	2,788
Capital grants received	6,897,168	6,967,113	3,617,479	4,402,861	7,071,240	3,200,256	2,265,552	3,336,527	5,002,976	4,602,408
PFC Funds Received	808,349	795,705	836,158	530,007	597,143	615,655	533,262	508,444	583,932	620,716
CFC Funds Received	322,865	275,044	280,364	295,764	319,116	291,650	259,800	140,118	-	-
Interest Paid	(352,352)	(376,377)	(399,533)	(422,178)	(442,408)	(462,805)	(410,311)	(311,698)	(327,159)	(342,462)
Cost of Issuing Debt	-	-	-	-	-	-	(299,362)	-	-	-
Bond Proceeds	-	-	-	-	-	-	10,540,000	-	-	-
Principal paid on long-term debt	<u>(695,000)</u>	<u>(670,000)</u>	<u>(645,000)</u>	<u>(615,000)</u>	<u>(595,000)</u>	<u>(575,000)</u>	<u>(5,380,000)</u>	<u>(300,000)</u>	<u>(285,000)</u>	<u>(270,000)</u>
Net Cash Provided (Used for) Capital and Related Financing Activities	<u>(1,667,355)</u>	<u>(428,138)</u>	<u>(527,118)</u>	<u>(790,665)</u>	<u>(2,438,419)</u>	<u>(2,038,977)</u>	<u>3,388,904</u>	<u>(381,625)</u>	<u>(790,555)</u>	<u>(2,492,684)</u>
Cash Flows From Investing Activities										
Purchase of Investments	(35,325)	(1,720,370)	(518,499)	(7,714)	(9,084)	(8,762)	(448,435)	(1,169,162)	(43,056)	(650,809)
Sales of Investments	421,328	614,584	-	-	-	-	2,777,692	1,250,000	330,000	3,567,634
Interest Received	69,405	65,844	159,649	163,644	177,101	135,378	78,502	92,228	150,886	329,386
Cash Paid for Management Fees	(480)	(480)	(548)	(667)	(837)	(4,009)	(11,937)	(12,331)	(16,135)	(17,887)
Bond Issue Costs	-	-	-	-	-	-	-	-	-	(4,260)
Net Cash Provided By (Used for) Investing Activities	<u>454,928</u>	<u>(1,040,422)</u>	<u>(359,398)</u>	<u>155,263</u>	<u>167,180</u>	<u>122,607</u>	<u>2,395,822</u>	<u>160,735</u>	<u>421,695</u>	<u>3,224,064</u>
Net Increase (Decrease) In Cash	<u>(389,223)</u>	<u>(1,245,765)</u>	<u>116,678</u>	<u>(134,707)</u>	<u>(1,704,831)</u>	<u>(1,491,195)</u>	<u>6,220,995</u>	<u>136,591</u>	<u>(258,969)</u>	<u>664,182</u>
Cash and Cash Equivalents at Beginning of Year	<u>3,149,790</u>	<u>4,395,555</u>	<u>4,278,877</u>	<u>4,413,584</u>	<u>6,118,415</u>	<u>7,609,610</u>	<u>1,388,615</u>	<u>1,252,024</u>	<u>1,510,993</u>	<u>846,811</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,760,567</u>	<u>\$ 3,149,790</u>	<u>\$ 4,395,555</u>	<u>\$ 4,278,877</u>	<u>\$ 4,413,584</u>	<u>\$ 6,118,415</u>	<u>\$ 7,609,610</u>	<u>\$ 1,388,615</u>	<u>\$ 1,252,024</u>	<u>\$ 1,510,993</u>

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
Table 3:
Reserved Funds
Last Ten Fiscal Years (unaudited)

<u>Year</u>	<u>Bond</u> <u>Escrow</u>	<u>Dedicated</u>	<u>GRAND</u> <u>TOTAL</u>
2010	\$ 1,058,760	\$ 1,059,682	\$ 2,118,442
2009	\$ 1,058,760	\$ 1,358,264	\$ 2,417,024
2008	\$ 1,061,800	\$ 1,438,282	\$ 2,500,082
2007	\$ 1,061,800	\$ 1,387,371	\$ 2,449,171
2006	\$ 1,067,754	\$ 1,348,748	\$ 2,416,502
2005	\$ 1,067,754	\$ 1,312,455	\$ 2,380,209
2004	\$ 1,067,754	\$ 1,273,755	\$ 2,341,509
2003	\$ 642,683	\$ 1,273,755	\$ 1,916,438
2002	\$ 633,819	\$ 1,341,100	\$ 1,974,919
2001	\$ 625,400	\$ 1,274,924	\$ 1,900,324

Source: Audited Financial Statements

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 4:
Principal Revenue Sources and Revenues Per Enplaned Passenger
Last Ten Fiscal Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Airline Revenues:										
Landing Fees	\$ 542,400	\$ 643,106	\$ 636,555	\$ 593,299	\$ 504,567	\$ 444,625	\$ 392,953	\$ 378,968	\$ 385,133	\$ 400,865
Terminal Rents	752,467	802,421	775,683	775,683	737,410	691,924	646,680	661,354	632,667	426,776
Security Reimbursements	560,580	568,086	609,186	573,096	553,548	532,151	542,497	558,891	463,293	425,450
Jetway Fees	8,230	5,400	7,275	9,675	6,675	450	-	-	-	20,280
Other	4,774	7,827	8,554	12,599	13,061	9,451	10,613	12,109	10,140	11,929
Total Airline Revenue	\$ 1,868,451	\$ 2,026,840	\$ 2,037,253	\$ 1,964,352	\$ 1,815,261	\$ 1,678,601	\$ 1,592,743	\$ 1,611,322	\$ 1,491,233	\$ 1,285,300
Percent of Total Operating Revenues	32.8%	34.8%	33.3%	33.1%	30.3%	29.2%	29.9%	30.8%	31.7%	31.9%
Non-Airline Revenues										
Parking	\$ 1,704,348	\$ 1,782,756	\$ 1,878,917	1,832,702	1,862,406	1,660,578	1,466,110	1,409,675	1,240,980	1,070,225
Percent of Total Operating Revenues	29.9%	30.6%	30.7%	30.8%	31.1%	28.9%	27.5%	26.9%	26.4%	26.6%
Rental Car	764,671	679,626	840,589	777,119	726,233	740,435	697,617	720,523	726,469	791,109
Other	1,356,090	1,329,222	1,360,572	1,366,760	1,581,600	1,660,818	1,573,058	1,490,563	1,245,770	884,058
Total Non-Airline Revenues	\$ 3,825,109	\$ 3,791,604	\$ 4,080,078	\$ 3,976,581	\$ 4,170,239	\$ 4,061,831	\$ 3,736,785	\$ 3,620,761	\$ 3,213,219	\$ 2,745,392
Percent of Total Operating Revenues	67.2%	65.2%	66.7%	66.9%	69.7%	70.8%	70.1%	69.2%	68.3%	68.1%
Total Operating Revenues	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,933	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452	\$ 4,030,692
Percent of Total Revenues	83.0%	83.3%	82.7%	85.6%	84.8%	84.4%	85.7%	87.1%	86.6%	80.5%
Nonoperating Revenues										
Passenger Facility Charges	\$ 790,497	\$ 843,482	\$ 832,657	\$ 538,856	\$ 583,092	\$ 628,543	\$ 537,490	\$ 535,415	\$ 530,322	\$ 637,641
Customer Facility Charges	307,017	253,729	291,228	295,337	316,526	297,554	260,532	162,798	-	-
Interest Income	69,405	65,844	159,649	163,644	177,101	135,378	74,010	78,612	138,650	323,978
Other	-	-	-	-	-	-	20,519	-	61,246	12,432
Total Nonoperating Revenues	\$ 1,166,919	\$ 1,163,055	\$ 1,283,534	\$ 997,837	\$ 1,076,719	\$ 1,061,475	\$ 892,551	\$ 776,825	\$ 730,218	\$ 974,051
Percent of Total Revenues	17.0%	16.7%	17.3%	14.4%	15.2%	15.6%	14.3%	12.9%	13.4%	19.5%
Total Revenues	\$ 6,860,479	\$ 6,981,499	\$ 7,400,865	\$ 6,938,770	\$ 7,062,219	\$ 6,801,907	\$ 6,222,079	\$ 6,008,908	\$ 5,434,670	\$ 5,004,743
Enplaned Passengers (excluding charters)	198,995	205,547	210,244	202,866	224,913	234,238	199,472	197,910	196,228	228,504
Airline Revenue Per enplaned passenger	\$ 9.39	\$ 9.86	\$ 9.69	\$ 9.68	\$ 8.07	\$ 7.17	\$ 7.98	\$ 8.14	\$ 7.60	\$ 5.62
Parking Revenue per enplaned passenger	\$ 8.56	\$ 8.67	\$ 8.94	\$ 9.03	\$ 8.28	\$ 7.09	\$ 7.35	\$ 7.12	\$ 6.32	\$ 4.68
Total Revenue Per enplaned passenger	\$ 34.48	\$ 33.97	\$ 35.20	\$ 34.20	\$ 31.40	\$ 29.04	\$ 31.19	\$ 30.36	\$ 27.70	\$ 21.90

Source: Audited Financial Statements
Tri-Cities Airport Commission Activity Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 5:
Revenue Rates
Last Ten Fiscal Years

SIGNATORY AIRLINES RATES AND CHARGES

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Landing Fees (per 1,000 lbs. MGLW)	\$ 1.94	\$ 1.94	\$ 1.85	\$ 1.85	\$ 1.57	\$ 1.31	\$ 1.09	\$ 1.09	\$ 1.09	\$ 1.09
Terminal Rental Rates (per square foot)	\$ 40.52	\$ 40.52	\$ 38.74	\$ 38.74	\$ 36.80	\$ 34.07	\$ 25.69	\$ 25.69	\$ 25.69	\$ 25.69
Jetway Use Fee (per use)	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00	\$ 20.00
Security Reimbursement *	*	*	*	*	*	*	*	*	*	*
(Annual Security Reimbursement)	\$ 560,580	\$ 568,086	\$ 609,186	\$ 558,127	\$ 553,548	\$ 532,151	\$ 542,497	\$ 558,892	\$ 463,293	\$ 425,450

* Security Reimbursement is set at fifty percent of the annual Public Safety operating budget.

Parking Rates

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Long-Term Parking - Daily	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 5.50
	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour
Short-Term Parking - Daily	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 10.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 8.00	\$ 6.50
- Incremental	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per 30 min	\$1 per hour	\$1 per hour	\$1 per hour	\$1 per hour

Source: Tri-Cities Airport Commission Lease Data

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 6:
Enplaned Passengers
Last Ten Fiscal Years (unaudited)

Airline	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Allegiant Air	31,198	38,499	26,020	1,881	0	0	0	0	0	0
US Airways Express (Air Wisconsin)	0	0	460	288	2,711	0	0	0	0	0
US Airways Express (Allegheny)	0	0	0	0	0	0	1,220	3,037	0	0
American Connection	0	0	0	0	282	6,262	6,582	8,153	4,209	0
Delta (Atlantic Southeast Airlines)	87,223	64,576	53,075	40,146	63,159	75,160	69,460	75,940	66,663	90,762
Delta (Atlantic Coast)	0	0	0	0	0	9,639	25,526	16,803	4,660	0
Delta (Chautauqua)	1,178	17,709	30,864	41,066	25,267	6,518	0	0	0	0
Delta (Comair)	1,232	2,233	3,908	831	24,649	38,988	9,964	13,154	26,686	22,439
Delta (Freedom)	10,969	4,010	11,586	32,297	10,092	0	0	0	0	0
Delta (Pinnacle)	3,611	0	0	0	0	0	0	0	0	0
US Airways Express (Mesa Jet)	602	671	959	1,065	21,801	38,357	0	0	0	0
Northwest Airlink	1,351	22,467	22,776	23,689	27,683	27,790	24,254	17,482	14,281	12,527
Sky West	6,162	0	0	0	0	0	0	0	0	0
US Airways Express (Piedmont)	29,336	33,877	38,198	33,810	31,220	27,203	45,067	47,337	50,246	23,815
US Airways Express (PSA Airlines)	26,133	21,505	22,398	27,793	18,049	246	9,017	16,004	17,979	22,255
US Airways Express (Trans States)	0	0	0	0	0	4,075	8,382	0	0	0
US Airways Express (CommutAir)	0	0	0	0	0	0	0	0	0	0
United Express	0	0	0	0	0	0	0	0	4,523	18,737
US Airways	0	0	0	0	0	0	0	0	6,981	37,969
Sub-Total Air Carriers	198,995	205,547	210,244	202,866	224,913	234,238	199,472	197,910	196,228	228,504
Charters	3,019	4,884	2,837	2,429	2,083	2,496	3,410	2,638	2,255	2,328
Total	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483	230,832

Source: Tri-Cities Airport Commission Traffic Reports.

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 7a:
Airline Landed Weights (000's Omitted)
Last Ten Fiscal Years (unaudited)

Air Carriers	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Air Wisconsin	141	-	1,786	893	5,264	-	-	-	-	-
Allegheny Airlines	-	-	-	-	-	-	3,492	8,611	-	-
Allegiant Airlines	32,930	41,891	28,929	1,814	-	-	-	-	-	-
American Connection	-	-	-	-	421	10,240	10,474	13,190	6,212	-
Atlantic Coast	-	-	-	-	-	15,291	32,803	20,526	6,567	-
Atlantic Southeast	115,660	93,915	71,061	44,709	76,124	91,836	90,783	100,788	104,882	110,676
Chautauqua Airlines	1,833	27,449	45,249	62,245	35,603	8,925	-	-	-	-
Comair	1,504	3,619	6,392	1,175	36,599	60,630	31,255	28,529	61,617	45,172
Freedom	15,233	5,489	14,595	40,593	11,829	-	-	-	-	-
Mesa Jet	956	1,397	1,360	1,387	29,075	56,449	-	-	-	-
Northwest Airlink	1,625	43,087	41,411	41,149	41,009	47,947	44,155	30,526	21,831	22,446
Piedmont	41,721	51,299	54,177	49,140	43,816	39,842	69,381	77,624	84,335	38,691
Pinnacle	6,909	-	-	-	-	-	-	-	-	-
PSA Airlines	39,263	38,872	42,720	50,563	28,411	516	20,125	31,296	37,596	36,605
Sky West	9,024	-	-	-	-	-	-	-	-	-
Trans State	-	-	-	-	-	8,015	19,292	-	-	-
United Express	-	-	-	-	-	-	-	-	7,146	30,625
USAirways	-	-	-	-	-	-	-	-	14,639	83,536
Subtotal	266,799	307,018	307,680	293,668	308,151	339,691	321,760	311,090	344,825	367,751
Charters	7,702	10,070	7,082	6,361	5,181	6,384	9,095	6,151	5,941	7,241
Total Air Carriers	274,501	317,088	314,762	300,029	313,332	346,075	330,855	317,241	350,766	374,992

Source: Tri-Cities Airport Activity Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA

TABLE 7b:
Cargo Landed Weights
Last Ten Fiscal Years (unaudited)

<u>Cargo Carriers</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
ABX (DHL)/Airborne	-	21,163	50,945	51,219	50,940	50,976	50,991	50,164	50,419	51,624
Flight Express	612	5,777	8,359	8,359	8,359	8,359	8,359	8,359	8,359	8,359
Quest Diagnostic	1,296	1,296	-	-	-	-	-	-	-	-
Kalitta	-	-	-	-	9	751	-	41	-	-
Martinaire (DHL)	-	-	-	-	-	2,108	2,159	2,261	2,202	2,219
Reliant	-	-	-	-	-	-	-	-	82	298
Saber	-	-	-	-	-	-	334	49	288	522
Other	4,131	80	1,647	1,729	2,677	4,963	5,973	4,062	13,160	5,786
	<u>6,039</u>	<u>28,316</u>	<u>60,951</u>	<u>61,307</u>	<u>61,985</u>	<u>67,157</u>	<u>67,816</u>	<u>64,936</u>	<u>74,510</u>	<u>68,808</u>
TOTAL LANDED WEIGHTS	<u>280,540</u>	<u>345,404</u>	<u>375,713</u>	<u>361,336</u>	<u>375,317</u>	<u>413,232</u>	<u>398,671</u>	<u>382,177</u>	<u>425,276</u>	<u>443,800</u>

Source: Tri-Cities Airport Activity Report

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 8:
Aircraft Movements Summary (Takeoff and Landing)
Last Ten Fiscal Years (unaudited)

Fiscal Year	Air Carrier	Charters	Cargo Carriers	General Aviation	Air Taxi	Military	Total
2010	10,928	183	1,056	37,372	1,347	687	51,573
2009	13,688	278	3,130	35,705	646	501	53,948
2008	14,384	186	4,592	41,681	299	398	61,540
2007	14,828	251	4,628	45,483	-	439	65,629
2006	15,188	142	4,678	51,625	347	725	72,705
2005	18,270	194	5,304	59,017	230	583	83,598
2004	19,102	348	5,334	66,660	686	697	92,827
2003	18,434	225	5,322	63,854	145	568	88,548
2002	18,672	232	5,514	67,338	257	558	92,571
2001	17,722	238	5,456	73,764	203	742	98,125

Source: Air Traffic Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 9:
Air Cargo, Freight & Mail
Last Ten Calendar Years (unaudited)
(amounts expressed in pounds)

<u>Fiscal Year</u>	<u>Air Carriers</u>	<u>Cargo Carriers</u>	<u>Sub-total</u>	<u>Mail</u>	<u>Total</u>
2010	45,384	334,030	379,414	5,114	384,528
2009	100,613	5,898,721	5,999,334	1,593	6,000,927
2008	124,357	16,263,784	16,388,141	239	16,388,380
2007	130,349	10,290,014	10,420,363	1,311	10,421,674
2006	139,507	8,337,359	8,476,866	911	8,477,777
2005	175,998	3,593,986	3,769,984	2,448	3,772,432
2004	207,288	3,917,036	4,124,324	71,898	4,196,222
2003	194,245	3,695,665	3,889,910	125,344	4,015,254
2002	230,788	4,743,562	4,974,350	172,737	5,147,087
2001	485,184	4,204,395	4,689,579	635,153	5,324,732

Source: Air Traffic Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 10:
Debt Service Coverage
Last Ten Fiscal Years (unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Operating Revenues	\$ 5,693,560	\$ 5,818,444	\$ 6,117,331	\$ 5,940,932	\$ 5,985,500	\$ 5,740,432	\$ 5,329,528	\$ 5,232,083	\$ 4,704,452	\$ 4,030,692
Operating Expenses	\$ 5,101,080	\$ 5,431,972	\$ 5,415,059	5,415,312	5,484,486	5,333,989	4,902,809	4,784,038	4,294,485	3,660,860
Operating Income Before Adjustments	592,480	386,472	702,272	525,620	501,014	406,443	426,719	448,045	409,967	369,832
Other Income	1,166,919	1,163,055	1,283,534	997,837	1,076,719	1,061,475	892,911	776,825	730,218	974,051
Other Expenses Net of Interest	480	480	548	12,827	9,227	110,191	351,385	180,086	92,215	78,843
Net Revenues	<u>\$ 1,758,919</u>	<u>\$ 1,549,047</u>	<u>\$ 1,985,258</u>	<u>\$ 1,510,630</u>	<u>\$ 1,568,506</u>	<u>\$ 1,357,727</u>	<u>\$ 968,245</u>	<u>\$ 1,044,784</u>	<u>\$ 1,047,970</u>	<u>\$ 1,265,040</u>
Debt Service on airport revenue bonds										
Principal	\$ 695,000	\$ 670,000	645,000	615,000	595,000	575,000	140,000	300,000	285,000	270,000
Interest (a)	352,351	376,376	399,533	427,431	447,777	468,291	350,508	309,198	324,832	339,259
Total Debt Service	<u>\$ 1,047,351</u>	<u>\$ 1,046,376</u>	<u>1,044,533</u>	<u>1,042,431</u>	<u>1,042,777</u>	<u>1,043,291</u>	<u>490,508</u>	<u>609,198</u>	<u>609,832</u>	<u>609,259</u>
Coverage ratio * (Revenues/Debt Service)	1.68	1.48	1.90	1.45	1.50	1.30	1.97	1.72	1.72	2.08
* Does not include amounts held in bond reserves	\$ 1,058,760	\$ 1,058,760	\$ 1,061,800	\$ 1,061,800	\$ 1,067,754	\$ 1,067,754	\$ 1,067,754	\$ 642,683	\$ 633,819	\$ 625,400

Source: Tri-Cities Airport Commission Activity Reports

Tri-Cities Regional Airport, TN/VA
TABLE 11:
Ratios of Outstanding Debt and Debt Service
Last Ten Fiscal Years (unaudited)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Outstanding Debt Per Enplaned Passenger										
Outstanding Debt:										
Airport Revenue Bonds	\$ 6,605,000	\$ 7,300,000	\$ 7,970,000	\$ 8,615,000	\$ 9,230,000	\$ 9,825,000	\$ 10,400,000	\$ 5,240,000	\$ 5,540,000	\$ 5,825,000
Enplaned Passengers	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483	230,832
Outstanding Debt Per Enplaned Passenger	\$ 33	\$ 35	\$ 37	\$ 42	\$ 41	\$ 42	\$ 51	\$ 26	\$ 28	\$ 25
Debt Service										
Principal	\$ 695,000	670,000	645,000	615,000	595,000	575,000	140,000	300,000	285,000	270,000
Interest	352,351	376,376	399,533	427,431	447,777	468,291	350,508	309,198	324,832	339,259
Total Debt Service	\$1,047,351	1,046,376	1,044,533	1,042,431	1,042,777	1,043,291	490,508	609,198	609,832	609,259
Operating expenses	\$5,101,080	\$5,431,972	\$5,415,059	\$5,415,312	\$5,484,486	\$5,333,989	\$ 4,902,809	\$4,784,038	\$4,294,485	\$3,660,860
Total Expenses	\$6,148,431	\$6,478,348	\$6,459,592	\$6,457,743	\$6,527,263	\$6,377,280	\$ 5,393,317	\$5,393,236	\$4,904,317	\$4,270,119
Ratio of debt service to Total Expenses	17.0%	16.2%	16.2%	16.1%	16.0%	16.4%	9.1%	11.3%	12.4%	14.3%
Debt Service per Enplaned Passenger	\$ 5.18	\$ 4.97	\$ 4.90	\$ 5.08	\$ 4.59	\$ 4.41	\$ 2.42	\$ 3.04	\$ 3.07	\$ 2.64

Source: Audited Financial Statements

Tri-Cities Regional Airport, TN/VA

TABLE 12:

Passenger Facility Charges
Last Ten Fiscal Years (unaudited)
(ACCRUAL BASIS)

Airline	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Allegiant Air	\$ 160,690	171,223	92,092	-	-	-	-	-	-	-
Delta	393,130	320,918	387,486	\$ 291,228	\$ 314,364	\$ 340,036	\$ 267,296	\$ 273,782	\$ 256,715	\$ 305,113
US Airways	204,014	212,194	238,354	156,214	165,297	170,816	159,186	182,179	198,460	224,846
Northwest	4,328	62,851	88,540	54,197	68,139	73,406	67,645	49,249	41,619	38,424
American	2,280	-	-	833	-	15,923	15,866	19,691	11,913	-
United	18,408	-	-	-	-	20,400	18,014	-	11,987	56,719
Other	7,647	76,296	26,185	36,384	35,292	7,962	9,483	10,514	9,628	12,539
Total PFC Revenue	\$ 790,497	843,482	832,657	538,856	583,092	628,543	537,490	535,415	530,322	637,641
Interest Earned	14,211	11,536	10,142	10,077	11,063	6,270	1,820	4,943	11,520	36,039
Total PFC Related Revenue	\$ 804,708	855,018	842,799	548,933	594,155	634,813	539,310	540,358	541,842	673,680
Enplaned Passengers	202,014	210,431	213,081	205,295	226,996	236,734	202,882	200,548	198,483	230,832
% of Passengers	89.1%	91.3%	89.0%	90.8%	88.9%	91.9%	90.7%	91.4%	91.5%	94.6%

Source: PFC Quarterly Reports

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 13:
Customer Facility Charges
Last Eight Fiscal Years (unaudited)
(ACCRUAL BASIS)

Rental Car	2010	2009	2008	2007	2006	2005	2004	2003
Alamo	\$ 28,413	\$ 21,413	\$ 22,484	\$ 22,701	\$ 21,609	\$ 18,938	\$ 15,120	\$ 1,074
Avis	79,902	66,276	80,675	85,176	90,804	88,825	91,878	50,082
Budget	72,729	67,508	64,267	59,374	63,441	51,221	46,014	29,082
Hertz	76,833	61,866	79,555	87,059	95,508	94,649	90,138	48,768
National	49,140	36,666	44,247	41,027	45,164	42,321	50,526	33,792
Total CFC Revenue	\$ 307,017	\$ 253,729	\$ 291,228	\$ 295,337	\$ 316,526	\$ 295,954	\$ 293,676	\$ 162,798
Interest Earned	2,706	4,451	5,361	6,486	6,548	2,265	97	29
Total CFC Related Revenue	<u>\$ 309,723</u>	<u>\$ 258,180</u>	<u>\$ 296,589</u>	<u>\$ 301,823</u>	<u>\$ 323,074</u>	<u>\$ 298,219</u>	<u>\$ 293,773</u>	<u>\$ 162,827</u>

Amount per contract	\$ 9.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 7.00	\$ 6.00	\$ 6.00
Debt Service Payments	\$ 302,201	\$ 301,326	\$ 303,797	\$ 298,652	\$ 300,359	\$ 252,182	\$ 237,434	\$ -

Source: Audited Financial Statements

Tri-Cities Airport Commission
 Tri-Cities Regional Airport, TN/VA
TABLE 14:
Demographic Data - Population
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2009	576,196	6,296,254
2008	573,265	6,214,888
2007	569,644	6,156,719
2006	565,722	6,038,803
2005	493,023	5,962,959
2004	487,990	5,900,962
2003	485,884	5,689,283
2002	482,934	5,797,289
2001	485,132	5,740,021
2000	480,091	5,689,283

Source: U.S. Census Bureau

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA

TABLE 15:
Demographic Data - Per Capita Income
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2008	30,287	35,098
2007	28,173	33,395
2006	26,884	32,172
2005	26,383	31,107
2004	24,429	28,641
2003	24,137	28,455
2002	23,473	27,671
2001	22,993	26,758
2000	22,302	25,946
1999	22,119	25,548
1998	21,201	24,437

Source: US Dept. of Commerce Bureau of Economic Analysis
2008 latest information available

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA

TABLE 16:
Demographic Data - Unemployment Rate Percentage
Last Ten Calendar Years (unaudited)

Calendar Year	Air Trade Area	Tennessee
2008	7.0%	6.7%
2007	4.7%	4.8%
2006	4.7%	5.2%
2005	5.4%	5.6%
2004	5.5%	5.4%
2003	5.9%	5.7%
2002	4.7%	5.3%
2001	4.6%	4.7%
2000	4.5%	4.0%
1999	4.4%	4.0%

Source: US Bureau of Labor Statistics

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 17:
Demographic Data
Top 10 Employers in Region (unaudited)

Rank	Company	Employees	Percentage	Industry
1	K-VA-T Food Stores, Inc.	12,500	20.9%	Retail Supermarkets
2	Mountain State Health Alliance	9,000	15.0%	Health Care
3	Wellmont Health Systems	7,000	11.7%	Health Care
4	Eastman Chemical Company	6,800	11.4%	Chemical, Fibers & Plastics
5	Alpha Natural Resources	3,600	6.0%	Mining
6	East Tennessee State University	2,514	4.2%	Higher Education
7	Wal-Mart	2,500	4.2%	Retail Supermarkets
8	Citi Cards	1,950	3.3%	Customer Service Call Center
9	James H. Quillen VA Medical Center	1,724	2.9%	Health Care
10	Sullivan County Dept of Education	1,646	2.7%	Public Education

Source: The Business Journal 2008 Book of Lists

Tri-Cities Regional Airport, TN/VA
TABLE 18:
Full-Time Equivalent Employees by Department *
Last Ten Fiscal Years (unaudited)

Fiscal Years Ending June 30

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Maintenance	9	9	8	9	9	9	7	9	8	8
Public Safety	14	16	17	17	15	17	16	17	17	16
Janitorial	6	9	10	9	9	10	10	10	10	11
Airport Services	2	2	3	3	3	3	3	3	3	3
Marketing	3	3	3	3	3	3	3	3	3	3
Air Cargo & Trade Dev	1	1	1	2	3	3	3	3	0	0
Administration	9	10	10	9	10	10	9	8	8	8
Total Full-Time Employees	<u>44</u>	<u>50</u>	<u>52</u>	<u>52</u>	<u>52</u>	<u>55</u>	<u>51</u>	<u>53</u>	<u>49</u>	<u>49</u>

	<u>2010</u>	<u>2009</u>	<u>2008</u>
* - Part-time Employees --			
Ground Handling Services	10	11	11
Access Control	6	6	6
Airport Services	1	1	1
Maintenance	0	0	2
Public Safety	2	0	0
Janitorial	1	0	0
Admin	1	0	0
Total Part-Time Employees	<u>21</u>	<u>18</u>	<u>20</u>

Based on current active employees as of June 30, 2010.

Source: Tri-Cities Airport Commission Payroll Records

Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 19:
Insurance in Force (unaudited)
June 30, 2010

Type of Policy	Policy Insurer	Expiration Date	Policy Limit	Risk Coverage
Airport Liability	ACE	3/31/2011	\$50,000,000	General Liability
Excess Liability	ACE	3/31/2011	\$25,000,000	Over \$1M for Auto & \$1M Employment Liability
Automobile	Cincinnati Ins. Co.	3/31/2011	\$1,000,000	Bodily Injury and Property Damage, Comp/Collision, Non-owned vehicles
Property	Cincinnati Ins. Co.	3/31/2011	\$35,633,937	Buildings , contents, flood, earthquake.
Personal Property	Cincinnati Ins. Co.	3/31/2011	\$1,583,618	
Business Income	Cincinnati Ins. Co.	3/31/2011	\$1,000,000	Loss of Business
Employee Liability	Cincinnati Ins. Co.	3/31/2011	\$1,000,000	Employee Benefits Liability
Equipment	Cincinnati Ins. Co.	3/31/2011	\$1,887,719	
Public Officials	AIG/National Union	3/31/2011	\$5,000,000	Airport Commissioners
	AIG/National Union	3/31/2011	\$5,000,000	Employment Practices
Crime/Fidelity	Cincinnati Ins. Co.	3/31/2011	\$250,000	Faithful Performance Computer Fraud
Worker's Comp	USAIG/Liberty Mutual	3/31/2011	By Law	Employer's liability
	USAIG/Liberty Mutual	3/31/2011		Employee bodily injury
Health/Medical	United Healthcare	12/31/2010		Medical/Rx/Vision
Dental	Delta Dental of TN	12/31/2010		Dental
Life	MetLife	12/31/2010		Life/AD&D
Voluntary Products	Met Life USABLE AFLAC	12/31/2010		S/T, L/T disability, additional life, dependent coverage, cancer & accident

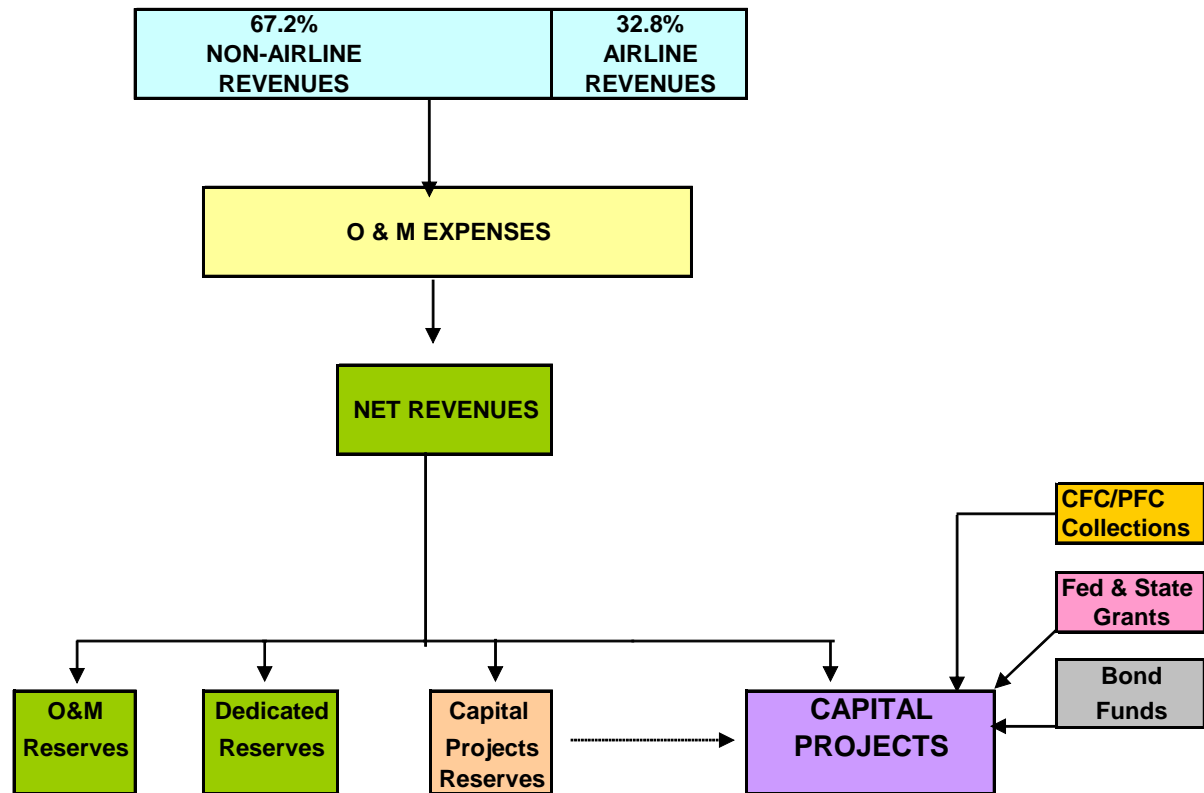
Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 20:
Capital Asset Allocation and Funding
Last Ten Fiscal Years

SOURCE OF FUNDS	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005	FY 2004	FY 2003	FY 2002	FY 2001
Federal Funds	\$ 5,170,594	\$ 5,096,784	\$ 3,305,742	\$ 2,154,764	\$ 6,318,155	\$ 1,819,123	\$ 2,876,129	\$ 1,863,803	\$ 5,944,725	\$ 3,666,729
State Funds	1,603,422	2,388,604	1,024,520	912,330	1,248,508	747,610	520,812	310,637	351,885	659,008
Local Funds	-	-	-	-	80,164	105,271	2,325	435	-	-
Other Funds	-	-	-	-	-	-	-	-	-	-
Bond Funds	-	-	-	-	1,907,957	1,739,203	-	-	-	2,688,434
Airport Funds	1,378,032	731,117	115,783	283,444	244,472	942,984	619,807	445,327	739,736	285,353
TOTAL SOURCE OF FUNDS	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045	\$ 3,350,538	\$ 9,799,256	\$ 5,354,191	\$ 4,019,073	\$ 2,620,202	\$ 7,036,346	\$ 7,299,524
USE OF FUNDS										
Land	\$1,007,132	\$700,492	\$719,530	1,523,645	1,601,557	-	611,693	(15,284)	117,103	1,688,136
Construction-In-Progress	460,791	6,573,883	2,104,451	(4,528,067)	1,027,243	3,517,343	(323,740)	(6,758,857)	135,436	4,155,214
Runways, Roads, etc.	6,342,221	494,802	87,479	4,506,185	1,542,944	231,568	3,083,562	8,303,199	509,902	111,377
Parking Lot	-	34,359	1,245,403	56,150	963,614	1,333,911	403,323	-	-	117,499
Terminal Building	11,359	123,285	63,017	846,523	58,494	140,503	37,116	190,865	5,554,106	(11,446)
Other Buildings	124,262	-	53,630	586,946	3,788,505	82,417	-	-	404,138	472,977
Equipment and Vehicles	91,046	235,252	172,535	359,156	786,899	48,449	207,119	900,279	315,661	765,767
Master Plans	115,237	54,432	-	-	30,000	-	-	-	-	-
TOTAL USE OF FUNDS	\$ 8,152,048	\$ 8,216,505	\$ 4,446,045	\$ 3,350,538	\$ 9,799,256	\$ 5,354,191	\$ 4,019,073	\$ 2,620,202	\$ 7,036,346	\$ 7,299,524

Source: Audited Financial Statements

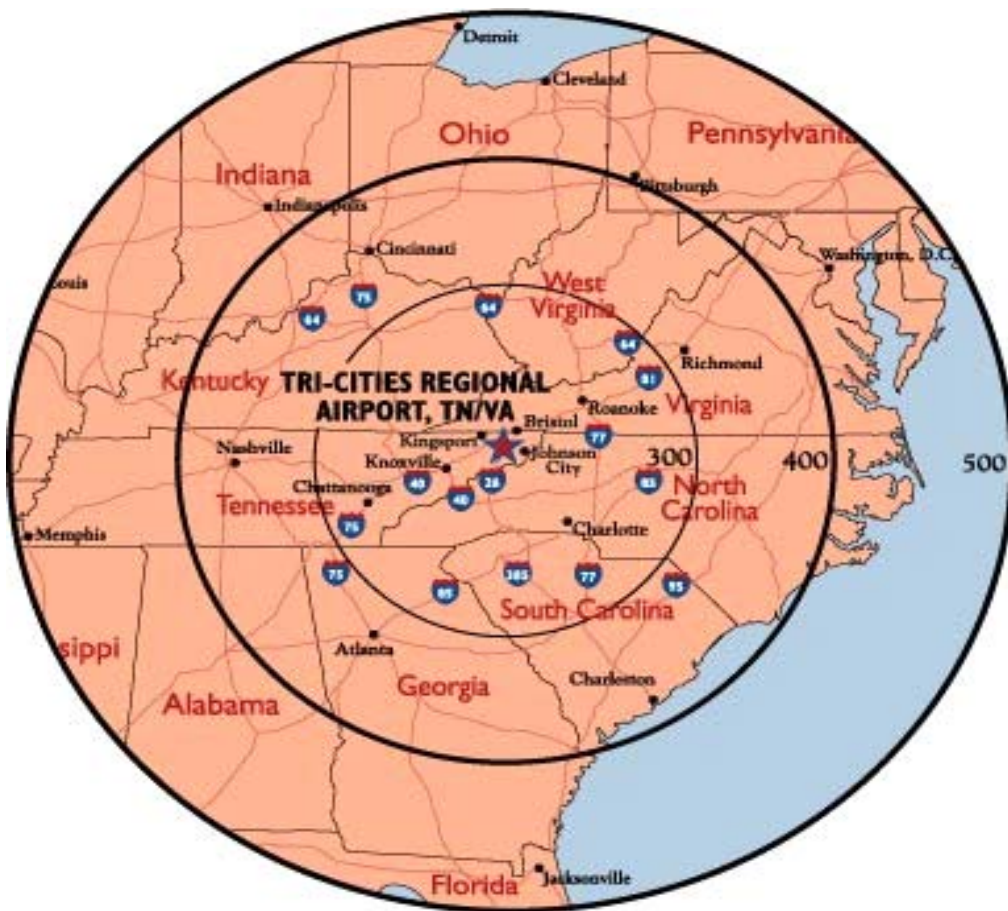
The following chart shows the flow of Airport revenues.

Tri-Cities Airport Commission
TABLE 21:
Flow of Funds



Tri-Cities Airport Commission
TABLE 22:
Location of Airport

Tri-Cities Regional Airport is centrally located between the cities of Bristol, Tennessee; Bristol, Virginia; Kingsport, Tennessee; and Johnson City, Tennessee. The Airport serves Northeast Tennessee, Southwest Virginia, North Carolina and Kentucky.



Tri-Cities Airport Commission
Tri-Cities Regional Airport, TN/VA
TABLE 23:
Capital Asset Information
as of June 30, 2010

Land & Facilities	1,280 acres of land and 89 acres in easements	
Elevation:	1,519 feet above mean sea level	
Airport Code:	TRI = FAA or IATA code (ICAO code = KTRI)	
Runways:	ILS Instrument Runway 5/23 - 8,000 feet x 150 feet (Category II)	
	Secondary Runway 9/27 - 4,442 feet x 150 feet	
Terminal:	Airlines	28,471 sf
	Concessions	13,787 sf
	Public/Common	34,681 sf
	Administration	10,316 sf
	Mechanical	15,366 sf
	Other Leaseable	10,911 sf
	Total	<u>113,532 sf</u>
	Number of Passenger Gates	7
	Number of Loading Bridges	1
	Number of Concessionaires	4
	Number of Rental Car Agencies	5
Apron:	Commercial Airlines	100,200 sq yds
	Cargo Airlines	174,000 sq ft
	FBO	57,800 sq yds
Parking Spaces:	Long-Term	923
	Short-Term	185
	Surface Overflow	207
	Metered	21
	Employee	103
	Ground Transportation	157
	Total Parking Spaces	<u>1,596</u>
Cargo:	Air Cargo Logistics Center	13,000 sq ft
International:	U.S. Customs Station No. 2027	
	Foreign Trade Zone No. 204	
Tower:	TRACON	Open: 6:00 am - 11:59 pm 365 days per year
FBO:	Tri-City Aviation, Inc.	85,000 sq ft Hangar
		12,000 sq ft Climate Controlled Hangar
		21 Tie-Downs & 12 Plane Ports
		10,000 sq ft FBO Terminal
Corporate:	4 Hangars	
Fuel Facilities:	15,000 gallon AVGAS 100 LL	
	40,000 gallon Jet A	

Compliance

- Internal Control and Compliance Section
- Independent Auditors' Report on Compliance
- Schedule of Findings and Questionable Costs
- Passenger Facility Charges Section



TRI-CITIES REGIONAL AIRPORT
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Internal Control & Compliance Section



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

We have audited the financial statements of the Tri-Cities Airport Commission (the Commission) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 19, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Tri-Cities Airport Commission
Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters

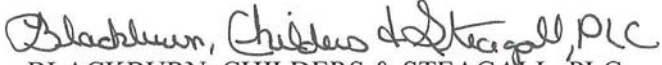
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tri-Cities Airport Commission, in a separate letter dated November 19, 2010.

This report is intended solely for the information and use of the management, the finance committee, the Commission and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2010

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, Tennessee 37617

Compliance

We have audited the compliance of the Tri-Cities Airport Commission (the Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Tri-Cities Airport Commission's major federal programs for the year ended June 30, 2010. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Tri-Cities Airport Commission complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

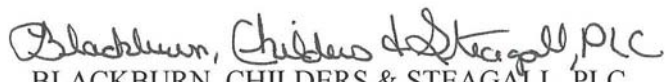
Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Finance committee, the Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2010

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Tri-Cities Airport Commission.
2. There were no significant deficiencies on the Airport's internal control disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Tri-Cities Airport Commission were disclosed during the audit.
4. There were no significant deficiencies noted on the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the Tri-Cities Airport Commission expresses an unqualified opinion. All funds paid and property or services transferred were paid in a manner consistent with 49 U.S.C. paragraph 47107(b) and FAA's Policy and Procedures regarding the use of airport revenue.
6. There were no audit findings relative to the major federal award programs.
7. The program tested as a major program was the Airport Improvement Program CFDA #20.106.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Tri-Cities Airport Commission was determined to be a low risk auditee.

Financial Statement Findings

There were no financial statement findings.

Findings and Questioned Costs – Major Federal Award Programs Audit

There were no findings and questioned costs in regard to the major federal award programs audit.

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Passenger Facility

Charges Section



TRI-CITIES REGIONAL AIRPORT
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Honorable Commissioners
of the Tri-Cities Airport Commission
P.O. Box 1055
Blountville, TN 37617

Compliance

We have audited the compliance of Tri-Cities Airport Commission (the "Commission"), with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide") for its passenger facility charge program for the year ended June 30, 2010. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to the passenger facility charge program for the year ended June 30, 2010.

Internal Control Over Compliance

In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program as a basis for designing our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

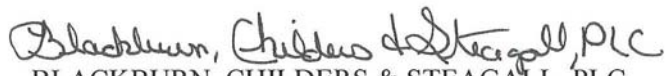
Our consideration of internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance with the requirements of laws and regulations pertaining to the passenger facility charge program that we consider to be material weaknesses, as defined above.

Schedule of Passenger Facility Charges, Investment Income, and Related Expenditures

We have audited the financial statements of the Commission as of and for the year ended June 30, 2010 and have issued our report thereon dated November 19, 2010. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying schedule of passenger facility charges, investment income, and expenditures is presented for purposes of additional analysis as specified in the Guide and is not a required part of the financial statements. This schedule is the responsibility of the management of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information of the Commissioners, management, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.


BLACKBURN, CHILDERS & STEAGALL, PLC

November 19, 2010

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PASSENGER FACILITY CHARGE PROGRAM
JUNE 30, 2010

I. Summary of Auditors' Results

- i. An unqualified report was issued on the financial statements of the Tri-Cities Airport Commission.
- ii. No instances of noncompliance were disclosed by the audit on the Commission's financial statements.
- iii. An unqualified opinion was issued on compliance for the passenger facility charge program.

II. There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

III. There were no findings related to the passenger facility charge program.

TRI-CITIES AIRPORT COMMISSION
SCHEDULE OF PASSENGER FACILITY CHARGES,
INVESTMENT INCOME AND RELATED EXPENDITURES
For the Year Ended June 30, 2010

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Cash Balance, July 1, 2009					\$ 668,155
Passenger Facility Charges	249,242	197,989	171,302	189,817	808,350
Investment Income	593	5,737	4,663	3,251	14,244
Disbursements	(38,320)	(108,515)	(129,175)	(581,084)	(857,094)
Cash Balance, June 30, 2010					633,655
Receivable June 30, 2010					120,913
Restricted PFC Funds					<u>\$ 754,568</u>